



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Review of City's Annual Financial Report (Fiscal Year 2009/10) by Macias, Gini & O'Connell, LLP

MEETING DATE: December 15, 2010

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive and file the following reports and financial statements submitted by Macias, Gini & O'Connell, LLP and the Internal Services department for Fiscal Year 2009/10:

- The Combined Annual Financial and Single Audit Report
- Management Report
- Report on Applying Agreed-upon Procedures

BACKGROUND INFORMATION: The annual audit was conducted to assure the City Council and other interested parties that the City's financial records and reports are prepared in accordance with generally accepted accounting principles (GAAP), that internal controls are adequate to safeguard the City against **loss** from unauthorized use or disposition of assets and that the City has complied with all agreements and covenants to obtain grant funds and debt financing. Macias, Gini & O'Connell, LLP (MGO) issued an 'unqualified opinion.' Scott Brunner, Director of MGO will present the audit report and answer questions during the meeting.

The reports will be provided to federal and State oversight agencies, bond trustees and insurance companies for their review and evaluation. Copies of the reports are provided to the City Council and are also available to the public by contacting the Financial Services Division or through the City web site at www.lodi.gov and at the Lodi Public Library.

Certificate of Achievement

The City received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the 17th year and the California Society of Municipal Finance Officers (CSMFO) for the 11th year in a row. A copy of the GFOA certificate is included in the 2009/10 Financial Reports.

FISCAL IMPACT: By law and good management practice, the City's financial records are audited by independent auditors according to Generally Accepted Auditing Standards. Well maintained financial records are the cornerstone by which the City fulfills its fiduciary responsibilities to the public.

A handwritten signature in black ink, appearing to read "Jordan Ayers".

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in black ink, appearing to read "Konrad Bartlam".

Konrad Bartlam, City Manager

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30,2010

PHIL KATZAKIAN, MAYOR
SUSAN HITCHCOCK, MAYOR PRO TEMP
LARRY HANSEN, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER
KONRADT BARTLAM, CITY MANAGER

Prepared by the Financial Services Division
Ruby Paiste, Financial Services Manager
Coriene Wadlow, Supervising Accountant
Odette Bondoc, Accountant II

(This page intentionally left blank.)

INTRODUCTORY SECTION

**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30,2010**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting	xiii
Organization Chart of the City of Lodi	xiv
Directory of Officials and Advisory Bodies	xv

FINANCIAL SECTION

Independent Auditor's Report	1
------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS 3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	19
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	29
Notes to Basic Financial Statements	31

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Pension Plan	77
Schedule of Funding Progress – OPEB Plan	78
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	79
Notes to the Required Supplementary Information	80

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	84
Nonmajor Governmental Funds - Special Revenue Funds	85
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	87

**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS - continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	88
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds – Special Revenue Funds	89
Nonmajor Governmental Funds - Capital Project Funds	97
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Project Funds	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Project Funds	99
Combining Statement of Net Assets - Internal Service Funds	101
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	102
Combining Statement of Cash Flows - Internal Service Funds	103
Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds	105
Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	106
Statement of Changes in Assets and Liabilities - Agency Fund	107
STATISTICAL TABLES (UNAUDITED)	
Government-wide information:	109
Net Assets by Component - Last Eight Fiscal Years	110
Changes in Net Assets - Last Eight Fiscal Years	111
Fund information:	
Fund Balances, Governmental Funds - Last Ten Fiscal Years	113
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	114
Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years	116
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	117
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	118
Principal Property Taxpayers - Current Year and Nine Years Ago	119
Property Tax Levies and Collections - Last Ten Fiscal Years	120
Electricity Sold by Type of Customer - Last Five Fiscal Years	121
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	122
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	123
Legal Debt Margin Information - Last Ten Fiscal Years	124
Direct and Overlapping Governmental Activities Debt	125
Pledged-Revenue Coverage - Last Ten Fiscal Years	126
Demographic and Economic Statistics - Last Ten Fiscal Years	128
Principal Employers - Current Year and Nine Years Ago	129
Full-Time Equivalent City Government Employees By Department - Last Ten Fiscal Years	130
Operating Indicators by Function/Program/Department - Last Five Fiscal Years	131
Capital Asset Statistics by Function/Program/Department - Last Six Fiscal Years	133
SINGLE AUDIT REPORTS	
Schedule of Expenditures of Federal Awards	137
Notes to the Schedule of Expenditures of Federal Awards	139

**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS- continued

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	140
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Circular A-133	142
Schedule of Findings and Questioned Costs	144
Schedule of Prior Year Findings and Questioned Costs	150
CONTINUING DISCLOSURES (UNAUDITED)	
Annual Report for Electric Utility	151
Annual Report for Wastewater Utility	157
Annual Report for the Lodi Public Improvement Corporation	164

(This page intentionally left blank.)

CITY COUNCIL

BOB JOHNSON, Mayor
JOANNE MOUNCE, Mayor Pro
Tempore
COUNCILMEMBERS:
LARRY HANSEN
PHIL KATZAKIAN

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6706
FAX (209) 333-6795

KONRADT BARTLAM
City Manager

RANDI JOHL
City Clerk

STEVE SCHWABAUER
City Attorney

December 7, 2010

**To the Honorable Mayor, Members of the City Council and the Manager
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2010, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). We believe that the information is accurate in all material respects and that it is presented in a manner designed to fairly present the financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement 14.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held

in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, community development, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	Number of Facilities
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,549 and is contained in an area of 13.92 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and broad based local economy. The City is known for its Zinfandel wine. It is an authentic dynamic wine region with 75 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for the City. The City's focus on economic development has encouraged numerous big industries to move to the City that collectively created hundreds of new jobs.

Economic Development

The City continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund City services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane, The City is also committed to an Enterprise Zone with San Joaquin County.

MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major goals, objectives and major projects that support and re-enforce the City's mission statement.

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- | | |
|---|---|
| Maintain City's Sense of Community | Provide Employee Training and Education |
| Provide for a Balanced Community | Evaluate Telecommunications Opportunities |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure |
| Promote Urban Forestry | Promote Public Relations and Marketing Efforts |
| Attract, Retain and Invest in a Quality City Work Force | Ensure Open and Accessible Public Meetings |
| Encourage Public Arts, Cultural and Recreational Opportunities | Pursue Efforts to be Entrepreneurial |
| Provide Appropriate and Sufficient City Facilities | Improve Customer Service |
| Develop Short and Long Range Operational Plans | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program | Provide a Balanced Budget & Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

Projects represent the foundation of the planning statements for the City. These projects are designed to accomplish specific objectives and become the focus for organization wide effort.

As discussed above, economic revitalization continued to be an active focal point of the City in 2009-10. The following projects are underway and will see significant progress or be completed in 2011.

Water Treatment Plant

The City currently relies on groundwater for its drinking water supply. During FY 2009-10, the City requested bids for the construction of an 8 million gallon a day water treatment plant, utilizing surface water from the Mokelumne River. In October 2010, the City awarded the construction contract and closed on a revenue bond issue to finance the construction. Total cost for the plant is estimated to be \$36.5 million and construction is estimated to be completed in FY 2011-12.

Lodi Avenue Reconstruction

Lodi Avenue is a major thoroughfare running through the center of the City. The City used approximately \$1.6 million in American Recovery and Reinvestment Act (ARRA) funds to reconstruct and beautify a .06 mile portion of Lodi Avenue. Construction was completed in November 2010.

Tienda Drive Senior Housing and Roget Park

The City has sold a parcel of land to a developer to build a senior housing project. The land is adjacent to land that had been given to the City to develop a park. Through the sale of the adjacent parcel to the developer, the City will be able to develop the park and have a showcase senior housing development. Construction is expected on both projects in FY 2010-11 with completion in FY 2012-13.

DeBenedetti Park Improvements and G-Basin

DeBenedetti Park is approximately a 46-acre parcel that will support parks and recreation programs and serve as a storm drainage basin. The initial phase of this project consists of providing and installing storm drainage piping and pumping, water well and irrigation system and turf. New turf areas will be used for soccer, flag football and softball programs. Estimated cost of this phase of the project is \$1.3 million and completion is expected in FY 2010-11.

Grape Bowl Improvements

The Grape Bowl is a stadium that was originally constructed using Work Project Administration Funding during the 1940's. During FY 2009-10, Energy Efficiency Conservation Block Grant funds under the ARRA were used to upgrade the lighting. Additionally, significant improvements related to disability access were completed and significant progress was made toward installing an all-weather playing surface. Completion is expected in November 2010.

Reynolds Ranch

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. An application for permits for construction of a Costco was received during FY 2009-10. Construction is currently underway with an expected completion in the first half of calendar year 2011. Additional applications for permits are expected for other retail establishments in FY 2010-11.

Water Meters and Water Infrastructure

Under the state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over the next 7 years. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2016-17. Estimated cost for the complete program is \$42.5 million.

White Slough Wastewater Treatment Plant De-watering Facility

The City received approval during the FY 2009-10 from the Council to construct a de-watering facility at its White Slough Wastewater Treatment Plant. The de-watering facility is estimated to cost approximately \$5 million and be completed by the end of calendar year 2011.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and operating results of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

Basis of Accounting

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on net income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgetary Control

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end balances. During fiscal year 2009-10, the City Council and City Manager made several supplemental budget appropriations, the majority of which relate to operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unreserved, undesignated fund balance in the General Fund of at least 15 % of operating expenditures and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses. Based on a study completed in 2007, the target for the Electric enterprise fund working capital is \$12.9 million. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unreserved undesignated fund balance of \$3,896,576 or 10.99%, of operating expenditures at the end of fiscal year 2009-10.

Cash Management

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide

detailed information regarding the City's investments and compliance with City policy and as required by state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month **U.S. Treasury Bill**.

Appropriation Limitation

Article **XIII B** of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article **XIII B**, the City is required to annually establish and adopt its appropriations limit by resolution. For 2009-10, the City's appropriations subject to limit were \$30,614,117 and the appropriation limit was \$77,022,286 leaving appropriations at \$46,408,169 below the limit.

Debt Administration

At June 30, 2010, the City had outstanding Certificates of Participation of \$159,070,050. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued \$5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation. The City also issued \$1.97 million limited obligation improvement bonds for the Central City Revitalization Assessment District on July 22, 1996. The improvement bonds of the assessment district are not general obligations of the City.

The City also issued \$10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation. The 2002 bonds were refunded with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

In November 2002, the City issued the 2002 Revenue Certificates of Participation Series C for \$21,225,000 and 2002 Series D for \$22,740,000, to buy out the energy purchase agreement entered into by the City in January 2002 with Calpine.

On October 21, 2003, the City and the City of Fort Bragg issued Water and Wastewater revenue bonds (20038) through the California Statewide Communities Development Authority ("the Authority") under its pooled financing program. Total bonds issued were \$9,855,000 of which \$5,000,000 was for the upgrade of the City's wastewater facilities.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 Certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and results of operations. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year to date estimates and variances. The reports are available to all departments and to the public on the City's website.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving federal financial awards. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2009-10 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2010, the Insurance Fund had a net deficit of \$1,368,350.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and results of operations. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year to date estimates and variances. The reports are available to all departments and to the public on the City's website.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving federal financial awards. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2009-10 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2010, the Insurance Fund had a net deficit of \$1,368,350.

INDEPENDENT AUDIT

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditors' report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

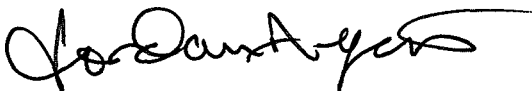
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

ACKNOWLEDGMENTS

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, Cory Wadlow, Supervising Accountant, Odette Bondoc, Accountant II, Tyson Mordhorst, Senior Programmer Analyst. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jordan Ayers', with a stylized flourish at the end.

Jordan Ayers
Deputy City Manager/Internal Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lodi
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

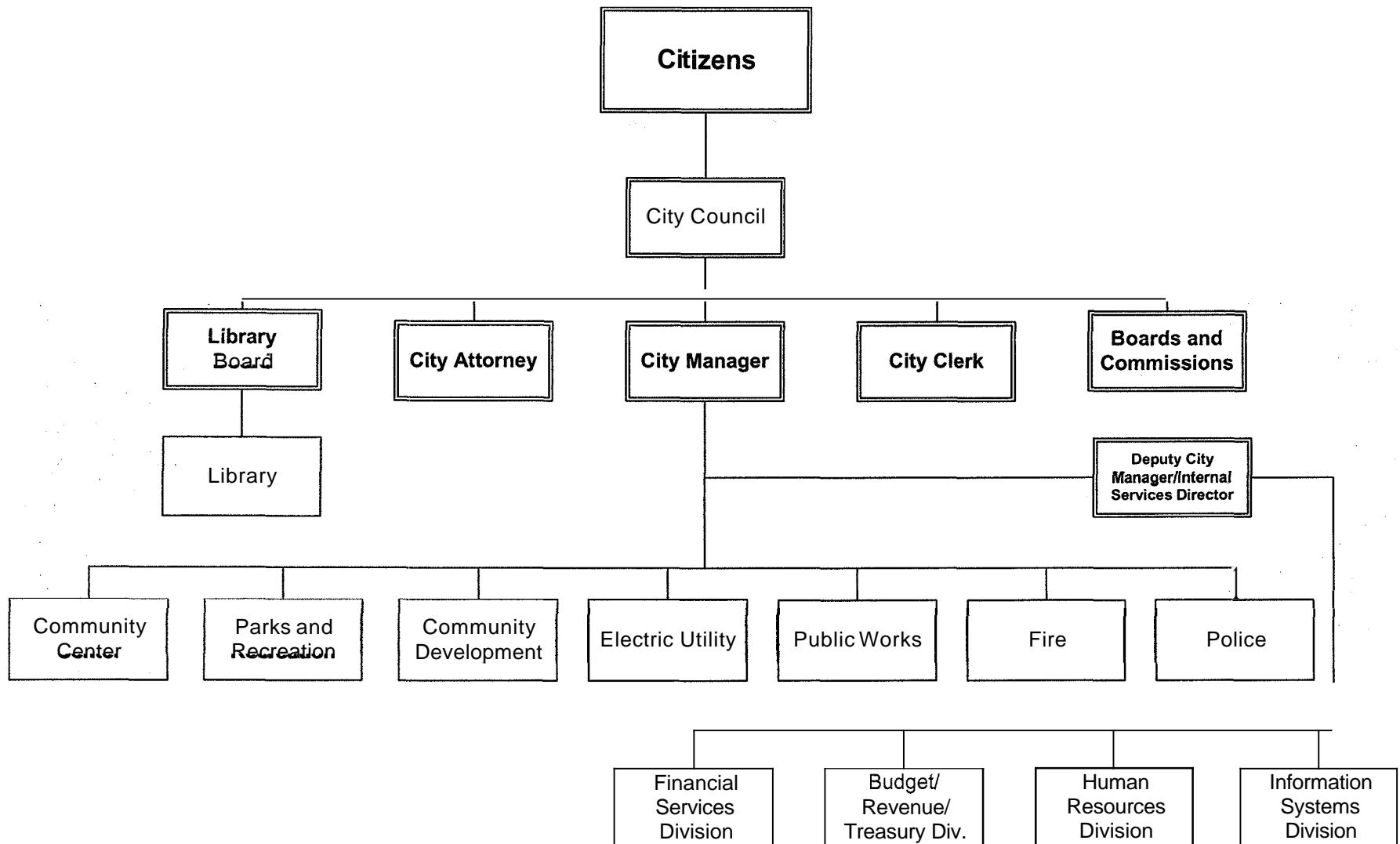
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Lodi



DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Phil Katzakian
Susan Hitchcock
Larry Hansen
Bob Johnson
Joanne Mounce

Mayor
Mayor Pro Temp
Council Member
Council Member
Council Member

ADVISORY BODIES

Planning Commission
Library Board
Recreation Commission
Site Plan and Architectural Review Committee
Budget and Finance Committee

Lodi Improvement Committee
Lodi Arts Commission
Youth Commission
Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Konradt Bartlam
Jordan Ayers
Steve Schwabauer
Randi Johl
Nancy Martinez
Kevin Donnelly
James Rodems
Wally Sandelin
Elizabeth Kirkley
Konradt Bartlam
Gary Benincasa

City Manager
Deputy City Manager
City Attorney
City Clerk
Library Services Director
Fire Chief
Community Center Director
Public Works Director
Electric Utility Director
Interim Community Development Director
Interim Police Chief

(This page intentionally left blank.)

FINANCIAL SECTION

The Financial Section is comprised of the Independent Auditors' Report, Management Discussion and Analysis, Basic Financial Statements, including the notes, required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.



Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles • Century City • Newport Beach • San Diego

mgocpa.com

The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), **as** of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements **as** listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are ~~free~~ of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. **An** audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, **as** well **as** evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, **as** of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

3000 S Street
Suite 300
Sacramento
CA 95816

2121 N. California Blvd
Suite 750
Walnut Creek
CA 94596

505 14th Street
5th Floor
Oakland
CA 94612

1
515 S. Figueroa Street
Suite 325
Los Angeles
CA 90071

2029 Century Park East
Suite 500
Los Angeles
CA 90067

1201 Dove Street
Suite 680
Newport Beach
CA 92660

225 Broadway
Suite 1750
San Diego
CA 92101

The management's discussion and analysis, the schedule of funding progress – pension plan, the schedule of funding progress – OPEB plan, and schedule of revenues, expenditures and changes in fund balance – budget and actual – for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and the statistical and continuing disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis **as** required by U.S. Office of Management and Budget Circular **A-133, Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken **as** a whole. The introductory, statistical and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maclean Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the 2010 fiscal year by \$192,073,011 (net assets). Of this amount, \$34,700,948 is unrestricted net assets deficit, needed to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,921,462 in fiscal year 2010.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$16,698,471, a decrease of \$311,847 in comparison with the prior year. Of this amount, \$8,508,892 is available for spending at the City's discretion (unreserved fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$4,285,216 (of which \$3,896,576 is unreserved and undesignated) or 12.09 % of total general fund expenditures of \$35,442,829.
- The City's total long-term liabilities decreased by \$2,326,670 (0.90%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, and parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a nonmajor proprietary fund.

- **Internal Service funds** are used to report activities that account for various employee benefits and self-insurance activities and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Downtown and Cherokee Lane special assessments, the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private Sector trust and the Holz bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees, and a schedule comparing budget to actual amounts in the General Fund.

Combining Statements

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City assets exceeded liabilities by \$192,073,011 at the close of the current fiscal year.

City of Lodi's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 34,024,118	31,574,708	100,098,973	95,268,567	\$ 134,123,091	126,843,275
Capital assets	135,959,897	138,412,794	190,452,081	186,710,027	326,411,978	325,122,821
Total assets	169,984,015	169,987,502	290,551,054	281,978,594	460,535,069	451,966,096
Liabilities:						
Long-term liabilities outstanding	39,232,444	37,182,469	209,828,660	214,205,305	249,061,104	251,387,774
Other liabilities	10,320,208	7,739,079	9,080,746	7,687,694	19,400,954	15,426,773
Total liabilities	49,552,652	44,921,548	218,909,406	221,892,999	268,462,058	266,814,547
Net assets:						
Invested in capital assets, net of related debt	113,308,321	115,035,793	100,232,601	95,533,308	213,540,922	210,569,101
Restricted	13,233,037	13,492,490			13,233,037	13,492,490
Unrestricted (deficit)	(6,109,995)	(3,462,329)	(28,590,953)	(35,447,713)	(34,700,948)	(38,910,042)
Total net assets	\$ 120,431,363	125,065,954	71,641,648	60,085,595	\$ 192,073,011	185,151,549

Assets. The City's total assets increased by \$6,921,462 or 3.74%. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an insignificant decrease of \$3,487 resulting from offsetting increases and decreases in current and capital assets.

Business-type activities. Total assets for the business-type activities increased by \$8,572,460 or 3%. The increase is mainly attributed to the increase in advance receivables from NCPA General operating reserves (GOR) of \$5,106,885; increase in capital assets of \$3,742,054, primarily from construction in progress, buildings and improvements and machinery and equipment.

Liabilities. The City's total liabilities increased by \$1,647,511 or 0.62%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities increased by \$4,631,104. This increase is attributed to the increase in OPEB obligations, \$874,678; increase in compensated absences, \$376,769; accrued progress payments for the Lodi Avenue Reconstruction project, \$608,279; unearned revenue from the Homeland Security grant, \$378,807; and the increase in self-insurance liabilities of \$2,398,631. Other insignificant activities offset the difference.

Business-type activities. Total liabilities for the business-type activities decreased by \$2,983,593 or 1.34%. The decrease is primarily attributable to principal payments towards the various certificates of participations.

Net Assets. The City's overall financial position has increased during the fiscal year. The net assets have increased by \$6,921,462 or 3.74%.

The largest portion (\$213,540,922) of the City's net assets reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$13,233,037 (6.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted deficit amounts to \$34,700,948. At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets for the government as a whole. Unrestricted net assets are negative for both the governmental and business-type activities.

Refer to page 10 for analysis of the business-type activities unrestricted net assets.

City of Lodi's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,326,042	4,784,593	93,110,030	95,314,241	\$ 98,436,072	100,098,834
Operating grants and contributions	1,927,495	1,950,601	3,448,814	3,653,466	5,376,309	5,604,067
Capital grants and contributions	5,122,484	10,822,032	1,408,089	5,774,006	6,530,573	16,596,038
General revenues:						
Property taxes	12,836,162	13,563,551			12,836,162	13,563,551
Other taxes	10,282,299	9,952,613			10,282,299	9,952,613
Grants and contributions not restricted to specific programs	7,063,762	8,248,606			7,063,762	8,248,606
Litigation - environmental lawsuits proceeds			300,000	2,010,085	300,000	2,010,085
Other	2,072,580	2,849,319	1,654,051	3,275,486	3,276,631	6,124,805
Total revenues	<u>44,630,824</u>	<u>52,171,315</u>	<u>99,920,984</u>	<u>110,027,284</u>	<u>144,551,808</u>	<u>162,198,599</u>
Expenses						
General government	8,749,457	9,450,858			8,749,457	9,450,858
Public protection	27,185,808	27,110,381			27,185,808	27,110,381
Public works	10,461,684	10,464,204			10,461,684	10,464,204
Community development	1,114,262	1,322,428			1,114,262	1,322,428
Library	1,440,342	1,495,407			1,440,342	1,495,407
Parks and recreation	5,076,874	4,609,091			5,076,874	4,609,091
Interest on long-term debt	1,104,971	1,133,880			1,104,971	1,133,880
Electric			64,364,204	73,357,886	64,364,204	73,357,886
Wastewater			11,289,458	10,939,721	11,289,458	10,939,721
Water			6,147,745	9,604,024	6,147,745	9,604,024
Transit			4,785,127	4,832,465	4,785,127	4,832,465
Total expenses	<u>55,133,398</u>	<u>55,586,249</u>	<u>86,586,534</u>	<u>98,734,096</u>	<u>141,719,932</u>	<u>154,320,345</u>
Changes in net assets before special item and transfers	(10,502,574)	(3,414,934)	13,334,450	11,293,188	2,831,876	7,878,254
Special item- swap termination				(8,979,000)		(8,979,000)
Transfers	5,867,983	5,367,983	(5,867,983)	(5,367,983)		
Changes in net assets	<u>(4,634,591)</u>	<u>1,953,049</u>	<u>7,466,467</u>	<u>(3,053,795)</u>	<u>2,831,876</u>	<u>(1,100,746)</u>

Net assets at beginning of year, as previously reported	125,065,954	118,755,227	60,085,595	133,225,291	185,151,549	251,980,518
Change in accounting principles		4,357,678		(70,085,901)		(65,728,223)
Restatement of capital assets			4,089,586		4,089,586	
Net assets at beginning of year, as restated	125,065,954	123,112,905	64,175,181	63,139,390	189,241,135	186,252,295
Net assets at end of year	\$ 120,431,363	125,065,954	71,641,648	60,085,595	\$ 192,073,011	185,151,549

Analysis of Changes in Net Assets

Governmental activities.

Net assets for the governmental activities decreased by \$4,634,591 in the current fiscal year.

The key factors impacting the change in net assets are:

- Negative revenue growth
- Reduced development activity
- Decrease in personnel costs
- Charges for services increased by 11%, a net amount of \$541,449 from the prior fiscal year largely from one-time revenue received from NCPA for the conservation easement rights related to the Lodi Energy Center.
- Capital grants and contributions decreased by \$5,699,548 or 53% from prior fiscal year. Decrease in capital contributions was mainly attributable to the lack of new commercial or residential developments during the year.
- Property taxes – decreased by \$727,389 or 5% compared to prior year. Continuing decline in market values falling below the assessed values caused homes to be reassessed and affected property tax revenues in the current year.
- Other taxes increased by \$329,686 or 3%. This was due to the increase in waste removal franchise fees (\$295,733) and the increase in cable television franchise fees (\$34,457), in-lieu franchise fees from Electric (\$34,710), increase in business license tax (\$51,588) offset by the decrease in gas and electric franchise fees (\$63,680) and decrease in transient occupancy taxes (\$23,122).
- Grants and contributions not restricted to specific programs decreased by \$1,184,844 or 14%. Sales tax revenues declined by \$1,154,981 and State motor vehicle license fees decreased by \$29,863. Business close-outs and the continuing decline in both prices and consumer spending on most taxable goods largely contributed to the decrease in sales tax revenue.
- Other revenues decreased by \$776,739 or 27% from prior fiscal year. This decrease was primarily from the one-time sale of land on 217 E. Lockeford Street (\$339,852) and the receipt of donations used for the Library renovation and HVAC projects (\$555,000) in prior year.

Expenses for governmental functions totaled \$55,133,398 a decrease of \$452,851 from the prior fiscal year

Business-type activities.

Business-type activities increased the City's net assets by \$11,556,053 in the current year. The key elements of this increase are:

- Capital Contributions: Net decrease of \$4,365,917.

Electric Fund - \$68,322 – a decrease of \$181,182 from prior year.

Wastewater Fund - \$380,096 – a decrease of \$1,703,211 attributed to infrastructure contributed from commercial development at Reynolds Ranch in prior year, offset by various increases shown below.

Water Fund - \$270,863 – a decrease of \$254,229.

Transit Fund - \$688,808 – a decrease of \$2,227,295. The City received state funds in the prior year to build the Municipal Service Center Fleet Services Shop (\$1,850,000) and Prop. 1B funds used to purchase four transit buses (\$394,964).

- Proceeds from litigation settlements - \$300,000 - a decrease of \$1,710,085 from prior year. The \$300,000 was the last settlement expected from the litigation relative to the PCE/TCE remediation case.

The City's Energy Cost Adjustment (ECA) was established with the intent to automatically adjust the electric rates for monthly fluctuations in the City's purchased power expenses. Bulk power costs decreased in the current year and by way of the ECA charge, operating revenue decreased by \$4,336,249 in the current year.

Wastewater rates were increased during the year resulting in increased operating revenues of \$2,237,172 or 24% in Wastewater Utility.

Electric fund expenses decreased by \$8,993,682 or 12% primarily due to decreased purchased power costs of \$8,856,461, decrease in interest expense of \$203,476 and decrease in personnel cost of \$52,170.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Governmental Funds.**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,698,471, a decrease of \$311,847 in comparison to the prior year resulting from an overall decline in revenues.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,896,576 while total fund balance was \$4,285,216, an increase of \$519,028 from prior year primarily from the increased transfer of cost of services from the Electric Fund (\$500,000). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10.99% of total general fund expenditures.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year for the Electric Fund were \$459,178, Wastewater Fund were \$6,896,205 and for the Transit Fund \$2,002,105. The Water Fund unrestricted net assets deficit was \$37,948,441 and the Internal Services Funds unrestricted net assets deficit was \$3,244,573.

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original operating budget and the final amended operating budget in the General Fund were a net decrease in appropriations of \$8,662. The decrease in appropriations can be briefly summarized as follows:

- \$259,097 decrease in general government
- \$632,682 increase in public protection
- \$382,828 decrease in public works
- \$581 increase in parks

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$187,270 was largely due to the increased receipts from the card rooms (\$165,490), increase in property tax in-lieu of vehicle license fees (\$179,682), increase in cable TV franchise fees (\$50,775), and increase in industrial waste franchise (\$35,136) offset by a decrease in property taxes (\$132,839) and various decreases.
- Intergovernmental revenues – an unfavorable variance of \$506,684 was attributable to an unexpected downturn comprised primarily of sales tax (\$606,559) caused by the closures of several auto dealerships and the economy in general.
- Charges for services – a favorable variance of \$442,077 was mainly from NCPA (\$504,000) for the conservation easement related to the Lodi Energy Center and offset by various decreases in other revenues.
- Fines, forfeits and penalties – a favorable variance of \$162,354 resulted from enhanced revenues through moving violations (\$22,765), late payments for utilities (\$126,609), parking fees (\$12,044), and code enforcement (\$11,795).
- Miscellaneous revenues – a favorable variance of \$330,292 is attributable to the 35% surcharge received from the County for the wastewater treatment services for County service area at Flag City (\$76,708), reimbursement for personnel costs from the Delta Auto Theft Task force (\$155,755) and other various reimbursements (\$97,829).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$375,516 was due to savings from several vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$326,411,978 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$1,289,157, a 0.40% (a 1.77% decrease in governmental activities and 2% increase in business-type activities) as shown in the table below.

	Changes in Capital Assets, Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 24,099,912	\$ 24,099,912	\$ 5,438,359	\$ 5,438,359	\$ 29,538,271	\$ 29,538,271
Buildings and Improvements	35,046,023	35,651,579	26,009,669	26,271,445	61,055,692	61,923,024
Machinery and Equipment	1,903,301	1,613,652	101,619,201	99,010,483	103,522,502	100,624,135
Vehicles	1,004,591	1,238,294	1,975,641	2,683,977	2,980,232	3,922,271
Infrastructure	65,149,159	69,678,224			65,149,159	69,678,224
Work of Art	304,907	62,024			304,907	62,024
Construction in Progress	8,452,004	6,069,109	55,409,211	53,305,763	63,861,215	59,374,872
Total	<u>\$ 135,959,897</u>	<u>\$ 138,412,794</u>	<u>\$ 190,452,081</u>	<u>\$ 186,710,027</u>	<u>\$ 326,411,978</u>	<u>\$ 325,122,821</u>

A significant increase in construction in progress compared to prior year was primarily due to the ongoing Phase III improvements to the White Slough Pollution Control Facility; the Surface Water Treatment Plant design and pre-construction costs; the Lodi Public Library renovation and HVAC projects; the reconstruction of Lodi Avenue project; the construction of DeBenedetti Park and G-Basin; and improvements at the Grape Bowl. The increase in machinery and equipment is due to the completion of various water and sewer main replacement projects during the year.

Additional information on the City's capital assets can be found in Note 6 on pages 45-47 of this report

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$159,070,050. Of this amount, \$22,265,000 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$136,805,050 from the business-type activities consists of \$56,280,026 for the Wastewater Fund; and \$80,525,024 for the Electric Fund.

City of Lodi's Outstanding Debt			
	Governmental <u>Activities</u>	Business-type <u>activities</u>	<u>Total</u>
Certificates of Participation	\$ 22,265,000	136,805,050	159,070,050

The City's total bonded debt decreased by \$4,608,022 during the current fiscal year

Bond Rating

In June 2010, Standard & Poor's Rating Services affirmed the rating on outstanding electric utility debt instruments an A- with a stable outlook as a result of improved financial performance due to the implementation of various policies instituted by management. Fitch Rating Services upgraded the rating on outstanding wastewater utility debt instruments to A+ with a stable outlook in May 2010, as part of its global ratings recalibration.

Additional information on the City's long-term debt can be found in Note 8 on pages 48-55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Lodi continues to take actions necessary to maintain a more sustainable city. Management has evaluated ways to make every City service more efficient, streamlining and consolidating services where possible. The City has implemented pay stations to provide citizens more options for paying utility bills and account information is made available online. Other efficiencies include consolidation of multiple recreational programs, decentralization of purchasing and implementation of a single answer point for development permits. The City also reduced its workforce by 11% over the past five years, from 470 full-time budgeted employees in 2004-05 to 418 full-time budgeted employees in 2010-11. Monthly work hours for many employees have been reduced through furloughs although the City continues to offer the same basic range of municipal services.

The recession is creating an opportunity for the City to take advantage of low construction costs to proceed with major capital projects. They include the reconstruction of East Lodi Avenue, the initial phase of construction of DeBenedetti Park, new improvements and handicapped access to the Grape Bowl, and other projects. The 2010-11 budget proposes as many projects as possible focusing on maintenance and replacement of existing facilities and projects that reduce the City's recurring operational costs.

The City Council adopted a new Comprehensive General Plan that maintains Lodi's compact urban character yet provides for jobs and economic growth. In the future, Lodi will be a city accommodating a population of 99,000 and 51,000 jobs.

The 2010-11 budget has several issues that were taken into consideration: employee costs and contributions; ramifications of cutting costs in prior budgets; impact of the new Lodi Energy Center; capital programs; and cost increases beyond the City's control and the continuing impact of the recession.

Employee costs and contributions - The City continues to rely upon the previous concessions made with the various bargaining groups which consequently averted mass employee layoffs and drastic service cuts. The City is appreciative of the sacrifices and services of its employees. Their sacrifices have allowed the City to maintain high level of quality service to its citizens during a challenging time. The City has also offered early retirement to reduce the work force.

Ramifications of cutting costs in the FY 2009-10 budget - In an effort to save money in FY 2009-10, management raised the Compensatory Time Off (CTO) limits to increase the amount of time employees may accumulate earned overtime and encouraged employees to defer cashing out of overtime. Consequently, in FY 2010-11 funds are budgeted to buy down CTO to reduce the liability carried in future years.

Impact of the new Lodi Energy Center - The Northern California Power Agency (NCPA) is building a 280-megawatt, natural gas combined-cycle power plant within the City on city-owned property. Lodi is a participant in the Lodi energy project. The project has created several opportunities for Lodi to increase revenue, beyond simply participating in the project and realizing the long-term savings of more affordable electric rates. Lodi will benefit with ongoing revenue of \$1 million per year and one-time revenue of \$2.3 million. This project will also help Lodi in the long-term by strengthening its tax base significantly and in the short-term provide money to make a variety of improvements that the City could not afford otherwise.

Capital programs - The 2010-11 budget includes approximately \$12.2 million in capital projects, many of which are delayed maintenance and replacement projects. The City has completed an assessment of the major buildings, the various parks, vehicles and equipment, and is developing replacement schedules and funding priorities for these assets.

Costs beyond the City's control - The cost of retirement and medical insurance is rising. The City has been advised to plan for a 2 percent increase in retirement rates for the future. Total City retirement contribution for 2010-11 is estimated to be \$7.2 million. Medical insurance costs are estimated to increase by 6%. It is also anticipated that health insurance costs will continue to rise every year for the next several years.

Economic Development

During this difficult economic time, the City has fared better than the surrounding area, as a whole. While not immune to the current foreclosure crisis, the City housing stock has seen fewer foreclosures and has maintained holding values better than the surrounding communities.

The City's unemployment rate continues to track roughly 4 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, there are even more jobs in food and plastics manufacturing and in health-related businesses.

Lodi Memorial Hospital, Blue Shield and Cottage Bakery have the highest year-round employment in the City, and large national and international manufacturers such as General Mills and CertainTeed find the City an attractive base for their West Coast operations.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 **W.** Elm Street, Lodi, California, 95240.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Fund.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 24,972,492	34,478,103	\$ 59,450,595
Accounts receivable, net	3,971,199	7,843,964	11,815,163
Property tax receivable	1,537,234		1,537,234
Interest receivable	33,474	47,121	80,595
Internal balances	(1,225,173)	1,225,173	
Due from other governmental agencies	1,795,473	2,262,287	4,057,760
Restricted assets	1,687,521	31,129,255	32,816,776
Loan receivable	1,084,000		1,084,000
Advance receivable		11,011,668	11,011,668
Inventory	122,791	1,684,307	1,807,098
Other assets	45,107	4,875	49,982
Deferred charges		10,412,220	10,412,220
Capital assets, net:			
Nondepreciable	32,856,823	60,847,570	93,704,393
Depreciable, net	103,103,074	129,604,511	232,707,585
TOTAL ASSETS	<u>169,984,015</u>	<u>290,551,054</u>	<u>460,535,069</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,743,637	4,573,199	8,316,836
Accrued salaries and wages	2,080,980		2,080,980
Accrued interest	268,289	2,813,298	3,081,587
Unearned revenue	2,157,103	1,694,249	3,851,352
Net OPEB obligation	2,070,199		2,070,199
Long-term liabilities:			
Due within one year	7,190,465	4,812,601	12,003,066
Due in more than one year	32,041,979	205,016,059	237,058,038
TOTAL LIABILITIES	<u>49,552,652</u>	<u>218,909,406</u>	<u>268,462,058</u>
NET ASSETS			
Invested in capital assets, net of related debt	113,308,321	100,232,601	213,540,922
Restricted for:			
Capital projects	11,498,892		11,498,892
Debt service	1,687,521		1,687,521
Other purposes	46,624		46,624
Unrestricted (deficit)	(6,109,995)	(28,590,953)	(34,700,948)
TOTAL NET ASSETS	<u>\$ 120,431,363</u>	<u>\$ 71,641,648</u>	<u>\$ 192,073,011</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 8,749,457	2,184,194	45,600	41,479	(6,478,184)		\$ (6,478,184)
Public protection	27,185,808	713,522	793,979	692,303	(24,986,004)		(24,986,004)
Public works	10,461,684	325,933	1,027,984	4,388,006	(4,719,761)		(4,719,761)
Community development	1,114,262	785,806			(328,456)		(328,456)
Library	1,440,342	47,961	59,932		(1,332,449)		(1,332,449)
Parks & recreation	5,076,874	1,268,626		696	(3,807,552)		(3,807,552)
Interest on long-term debt	1,104,971				(1,104,971)		(1,104,971)
Total governmental activities	55,133,398	5,326,042	1,927,495	5,122,484	(42,757,377)		(42,757,377)
Business-type activities:							
Electric	64,364,204	69,663,689	81,508	68,322		5,449,315	5,449,315
Wastewater	1,289,458	11,513,389	6,508	380,096		610,535	610,535
Water	6,147,745	11,715,748		270,863		5,838,866	5,838,866
Transit	4,785,127	217,204	3,360,798	688,808		(518,317)	(518,317)
	86,586,534	93,110,030	3,448,814	1,408,089		11,380,399	11,380,399
Total primary government	\$ 141,719,932	98,436,072	5,376,309	6,530,573	(42,757,377)	11,380,399	\$ (31,376,978)
General revenues:							
Taxes:							
Property taxes					12,836,162		12,836,162
Franchise taxes					8,657,976		8,657,976
Business license tax					1,241,958		1,241,958
Transient occupancy tax					382,365		382,365
Grants and contributions not restricted to specific programs					7,063,762		7,063,762
Investment earnings					155,270	731,377	886,647
Litigation- environmental lawsuits proceeds						300,000	300,000
Other					1,917,310	922,674	2,839,984
Transfers					5,867,983	(5,867,983)	
Total general revenues, special item and transfers					38,122,786	(3,913,932)	34,208,854
Change in net assets					(4,634,591)	7,466,467	2,831,876
Net assets, beginning of year, as previously reported					125,065,954	60,085,595	185,151,549
Understatement of capital assets						4,089,586	4,089,586
Net assets, beginning of year, as restated					125,065,954	64,175,181	189,241,135
Net assets, end of year					120,431,363	71,641,648	\$ 192,073,011

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

Major Governmental Fund:

General Fund

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major Enterprise Funds include:

Electric Fund

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

Wastewater Fund

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

Water Fund

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Nonmajor Enterprise Fund:**Transit Fund**

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

Fiduciary Fund Type**Private-purpose Trust Funds**

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the IndustrialWay Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,304,189	14,400,143	\$ 16,704,332
Restricted assets		1,687,521	1,687,521
Receivables:			
Accounts, net	2,691,686	1,277,473	3,969,159
Property taxes	1,537,234		1,537,234
Interest	7,770	15,818	23,588
Due from other funds	1,327,820	214,910	1,542,730
Due from other governmental agencies	125,065	1,670,408	1,795,473
Loan receivable		1,084,000	1,084,000
Inventory	844		844
Advances to other funds	305,560	343,385	648,945
Other assets	29,524	1,290	30,814
Total assets	<u>\$ 8,329,692</u>	<u>20,694,948</u>	<u>\$ 29,024,640</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	\$ 1,880,010	1,328,421	\$ 3,208,431
Accrued salaries and wages	2,080,980		2,080,980
Due to other funds		1,542,730	1,542,730
Advances from other funds		1,874,118	1,874,118
Deferred revenue	83,486	3,536,424	3,619,910
Total liabilities	<u>4,044,476</u>	<u>8,281,693</u>	<u>12,326,169</u>
Fund balances:			
Reserved	388,640	7,800,939	8,189,579
Unreserved reported in:			
General Fund	3,896,576		3,896,576
Special revenue funds		962,927	962,927
Capital projects funds		3,649,389	3,649,389
Total fund balances	<u>4,285,216</u>	<u>12,413,255</u>	<u>16,698,471</u>
Total liabilities and fund balances	<u>\$ 8,329,692</u>	<u>20,694,948</u>	<u>\$ 29,024,640</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 16,698,471
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Nondepreciable capital assets	32,856,823
Depreciable capital assets, net	103,068,340
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:	
Compensated absences	(7,525,374)
Long-term debt	(22,651,576)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due	(268,289)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	1,462,807
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	(3,209,839)
Net assets of governmental activities	\$ <u>120,431,363</u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 23,118,461		\$ 23,118,461
Licenses and permits	72,171	447,332	519,503
Intergovernmental revenues	7,772,071	4,806,529	12,578,600
Charges for services	1,343,199	2,772,900	4,116,099
Fines, forfeits and penalties	1,441,354	2,200	1,443,554
Investment and rental income	516,304	407,097	923,401
Miscellaneous revenue	462,592	630,576	1,093,168
Total revenues	<u>34,726,152</u>	<u>9,066,634</u>	<u>43,792,786</u>
Expenditures:			
Current:			
General government	6,411,741	1,253,983	7,665,724
Public protection	23,854,905	610,583	24,465,488
Public works	1,471,779	2,911,292	4,383,071
Community development		1,013,008	1,013,008
Library	1,322,052		1,322,052
Parks and recreation	2,234,349	1,945,470	4,179,819
Capital outlay		5,107,600	5,107,600
Debt service:			
Interest and fiscal charges	12,578	1,097,851	1,110,429
Principal payments	135,425	590,000	725,425
Total expenditures	<u>35,442,829</u>	<u>14,529,787</u>	<u>49,972,616</u>
Deficiency of revenues under expenditures	<u>(716,677)</u>	<u>(5,463,153)</u>	<u>(6,179,830)</u>
Other financing sources (uses):			
Transfers in	5,867,983	5,304,707	11,172,690
Transfers out	(4,632,278)	(672,429)	(5,304,707)
Total other financing sources (uses)	<u>1,235,705</u>	<u>4,632,278</u>	<u>5,867,983</u>
Net change in fund balances	519,028	(830,875)	(311,847)
Fund balances, beginning of year	<u>3,766,188</u>	<u>13,244,130</u>	<u>17,010,318</u>
Fund balances, end of year	<u>\$ 4,285,216</u>	<u>\$ 12,413,255</u>	<u>\$ 16,698,471</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Amounts reported for governmental activities are different because:

Net change in fund balances -total governmental funds	\$ (311,847)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p>Capital outlays, capital contributions and depreciation expense are as follows:</p>	
Capitalized capital outlays	5,107,600
Capital asset contributions	410,325
Depreciation expense	(7,969,375)
<p>Long-term debt proceeds, net of discounts, provide current financial resources to governmental funds, but issuing debt proceeds increases long-term liabilities in the statement of net assets. Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.</p>	
Repayments of principal are as follows:	
Capital leases	135,425
Certificates of participation principal	590,000
<p>Internal service funds are used by management to charge the costs of certain activities, such as health benefits and self-insurance, costs of operation and maintenance of the City's fleet, to individual funds. The net revenue (expenses) of the internal service funds are reported with governmental activities.</p>	
	(2,603,557)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	378,807
<p>Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.</p>	
Change in compensated absences	(377,427)
Change in accrued interest	5,458
Change in net assets of governmental activities	\$ <u>(4,634,591)</u>

CITY OF LODI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 12,125,835	6,831,614	14,120,605	1,400,049	\$ 34,478,103	\$ 8,268,160
Restricted cash and investments			18,041,023		18,041,023	
Restricted assets with fiscal agents	5,450,747	5,466,818	817		10,918,382	
Receivables:						
Accounts net	5,538,004	922,058	1,030,085	353,817	7,843,964	2,040
Interest	13,689	7,725	24,875	832	47,121	9,886
Due from other governmental agencies		8,427		2,253,860	2,262,287	
Advance receivable	11,011,668				11,011,668	
inventory	1,484,712	11,569	188,026		1,684,307	121,947
Other assets		3,600	1,275		4,875	14,293
Total current assets	<u>35,624,655</u>	<u>13,251,811</u>	<u>33,406,706</u>	<u>4,008,558</u>	<u>86,291,730</u>	<u>8,416,326</u>
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds			1,225,173		1,225,173	
Deferred charges	9,467,762	944,458			10,412,220	
Capital assets, net:						
Nondepreciable	6,213,346	48,104,511	5,093,753	1,435,960	60,847,570	
Depreciable, net	<u>37,044,222</u>	<u>49,445,587</u>	<u>30,334,133</u>	<u>12,760,509</u>	<u>129,604,511</u>	<u>34,734</u>
Total capital assets	<u>43,257,568</u>	<u>97,550,098</u>	<u>35,447,946</u>	<u>14,196,469</u>	<u>190,452,081</u>	<u>34,734</u>
Total noncurrent assets	<u>52,725,330</u>	<u>100,664,406</u>	<u>36,673,119</u>	<u>14,196,469</u>	<u>204,259,324</u>	<u>34,734</u>
TOTAL ASSETS	<u>88,349,985</u>	<u>13,916,217</u>	<u>70,079,825</u>	<u>18,205,027</u>	<u>290,551,054</u>	<u>8,451,060</u>
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	1,145,511	241,827	1,976,966	1,208,895	4,573,199	535,206
Accrued interest	2,107,597	693,654	12,047		2,813,298	
Unearned revenue	116,492		868,218	709,539	1,694,249	
Self-insurance liability						4,064,109
Accrued compensated absences	229,011	153,696		20,376	403,083	57,884
Certificates of participation payable	2,868,889	1,359,133			4,228,022	
Water note payable			181,496		181,496	
Total current liabilities	<u>6,467,500</u>	<u>2,448,310</u>	<u>3,038,727</u>	<u>1,938,810</u>	<u>13,893,347</u>	<u>4,657,199</u>
Noncurrent liabilities:						
Self-insurance liability						4,865,858
Accrued compensated absences	676,425	744,089		67,643	1,488,137	67,643
Certificates of participation payable	77,656,133	54,920,895			132,577,028	
Water note payable			1,227,805		1,227,805	
Net OPEB obligation						2,070,199
Pollution remediation obligation			69,723,089		69,723,089	
Total noncurrent liabilities	<u>78,332,558</u>	<u>55,664,964</u>	<u>70,950,894</u>	<u>67,643</u>	<u>205,016,059</u>	<u>17,603,999</u>
TOTAL LIABILITIES	<u>84,800,058</u>	<u>58,113,274</u>	<u>73,989,621</u>	<u>2,006,453</u>	<u>218,909,406</u>	<u>17,603,999</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	3,090,749	48,906,738	34,038,645	14,196,469	100,232,601	34,734
Unrestricted (deficit)	<u>459,178</u>	<u>6,896,205</u>	<u>(37,948,441)</u>	<u>2,002,105</u>	<u>(28,590,953)</u>	<u>(3,244,573)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 3,549,927</u>	<u>55,802,943</u>	<u>(3,909,796)</u>	<u>16,198,574</u>	<u>\$ 71,641,648</u>	<u>\$ (3,209,839)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	\$ 69,663,689	11,513,389	11,715,748	217,204	\$ 93,110,030	10,269,837
OPERATING EXPENSES						
Personnel services	5,913,567	2,800,891	1,325,536	264,960	10,304,945	1,457,737
Supplies, materials and services	10,039,282	2,532,246	2,266,174	3,412,689	18,250,391	5,901,738
Utilities	37,616,815	847,167	764,755	63,840	39,292,577	1,919
Depreciation and amortization	6,277,691	2,256,852	1,267,086	1,043,638	10,845,267	1,447
Claims						5,586,129
TOTAL OPERATING EXPENSES	59,847,355	8,437,156	5,623,551	4,785,127	78,693,189	12,948,970
OPERATING INCOME (LOSS)	9,816,334	3,076,233	6,092,197	(4,567,923)	14,416,841	(2,679,133)
NONOPERATING REVENUES (EXPENSES)						
Investment income	212,856	298,337	208,773	11,411	731,377	48,906
Interest expense	(4,516,849)	(2,831,600)	(51,063)		(7,399,512)	
Rent				4,200	4,200	
Operating grants	81,508	6,508		3,360,798	3,448,814	
Litigation environmental lawsuits proceeds			300,000		300,000	
Loss on disposal of capital assets		(20,702)	(1473,131)		(493,833)	
Other revenues	330,334	144,594	372,034	71,512	918,474	26,670
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,892,151)	(2,402,863)	356,613	3,447,921	2,490,480	75,576
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	5,924,183	673,370	6,448,810	(1,120,002)	11,926,361	(2,603,557)
Capital contributions	68,322	380,096	270,863	688,808	1,408,089	
Transfers out	(3,356,383)	(1,451,478)	(1,060,122)		(5,867,983)	
Net capital contributions and transfers	(3,288,061)	(1,071,382)	(789,259)	688,808	(4,459,894)	
Change in net assets	2,636,122	(398,012)	5,659,551	(431,194)	7,466,467	(2,603,557)
NET ASSETS - BEGINNING OF YEAR, as previously reported	913,805	56,030,286	(13,488,264)	16,629,768	60,085,595	(606,282)
Understatement of Capital Assets		170,669	3,918,917		4,089,586	
NET ASSETS (DEFICIT) - BEGINNING OF YEAR, as restated	913,805	56,200,955	(9,569,347)	16,629,768	64,175,181	(606,282)
NET ASSETS (DEFICIT) * END OF YEAR	\$ 3,549,927	55,802,943	(3,909,796)	16,198,574	\$ 71,641,648	\$ (3,209,839)

The notes to the financial statements are an integral part of this report.

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 64,109,065	11,241,097	12,081,088	288,716	\$ 87,719,966	\$ 25,844
Receipts from interfund services provided	287,850		7,495		295,345	10269,837
Cash paid to suppliers for goods & services	(47,158,325)	(2,827,645)	(2,026,516)	(2,813,904)	(54,826,391)	(7,866,354)
Payments to employees	(5,881,473)	(2,793,660)	(1,325,536)	(258,400)	(10,259,069)	(1,458,395)
Payments for interfund services provided	(3,199)	(772,440)	(735,605)	(48,124)	(1,559,368)	
Proceeds from litigation settlements			300,000		300,000	
Net cash provided by (used in) operating activities	11,353,918	4,847,352	8,300,926	(2,831,712)	21,670,484	970,932
Cash flows from noncapital financing activities:						
Operating grants	61,508	6,508		4,026,956	4,114,972	
Repaid from other funds			110,120		110,120	
Repaid to other funds				(110,120)	(110,120)	
Transfers out	(3,356,383)	(1,451,478)	(1,060,122)		(5,867,983)	
Net cash provided by (used in) noncapital financing activities	(3,274,875)	(1,444,970)	(950,002)	3,916,836	(1,753,011)	
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(934,206)	(780,541)	(3,932,424)	(201,426)	(5,848,597)	
Fees received from developers		321,476	270,863		592,339	
Capital grants received				501,988	501,988	
Principal payments on debt	(2,920,000)	(1,320,000)	(175,462)		(4,415,462)	
Interest payments on debt	(4,364,781)	(2,833,214)	(52,563)		(7,250,558)	
Net cash provided by (used in) capital and related financing activities	(8,218,987)	(4,612,279)	(3,889,586)	300,562	(16,420,290)	
Cash flows from investing activities:						
Rent of City property				4,200	4,200	
Interest on investments	238,322	315,936	250,305	10,163	814,726	63,576
Net cash provided by investing activities	238,322	315,936	250,305	14,363	818,926	63,576
Net increase (decrease) in cash and cash equivalents	98,378	(893,961)	3,711,643	1,400,049	4,316,109	1,034,508
Cash and cash equivalents, beginning of year	17,476,204	13,192,393	28,450,802		59,121,399	7233,652
Cash and cash equivalents, end of year	\$ 17,576,582	12,298,432	32,162,445	1,400,049	\$ 63,437,508	\$ 8,268,160
Reconciliation to the statement of net assets:						
Cash and investments	\$ 12,125,835	6,831,614	14,120,605	1,400,049	\$ 34,478,103	\$ 6,268,160
Restricted cash and investments			18,041,023		18,041,023	
Restricted assets with federal agents - current	5,450,747	5,466,818	817		10,918,382	
Total cash and cash equivalents	\$ 17,576,582	12,298,432	32,162,445	1,400,049	\$ 63,437,508	\$ 8,268,160
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 9,816,334	3,076,233	6,092,197	(4,567,923)	\$ 14,416,841	\$ (2,679,133)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	6,277,691	2,256,852	1,267,086	1,043,636	10,845,267	1,447
Proceeds from litigation settlements			300,000		300,000	
Other revenues	330,334	144,594	372,034	71,512	918,474	26,670
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(606,715)	(338,063)	801		(943,977)	(1,401)
Increase in advance receivables	(5,106,885)				(5,106,885)	
Decrease (increase) in due from other governmental agencies		7,769			7,769	
(Increase) decrease in inventory	(19,663)	180	17,228		(2,255)	319
Decrease in other assets		909			909	575
Increase (decrease) in accounts payable and other liabilities	514,236	(220,852)	460,626	614,501	1,388,511	349,804
Increase (decrease) in compensated absences	32,094	7,231		6,560	45,885	(658)
Increase (decrease) in unearned revenue	116,492	(87,501)			28,991	
Increase in self-insurance liability						2,398,631
Decrease in pollution remediation obligation			(229,046)		(229,046)	
Increase in OPEB obligation						874,676
Net cash provided by (used in) operating activities	\$ 11,353,918	4,847,352	8,300,926	(2,831,712)	\$ 21,670,484	\$ 970,932
Noncash Investing, Capital and Financial Activities						
Capital asset contributions	\$ 68,322	58,620		235,610	\$ 362,752	

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 224,884	\$ 585,172
Receivables:		
Special assessments		13,850
TOTAL ASSETS	<u>224,884</u>	<u>599,022</u>
LIABILITIES		
Agency obligations		599,022
TOTAL LIABILITIES		<u>599,022</u>
NET ASSETS	<u>\$ 224,884</u>	

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30,2010

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	\$ 7,430
Total additions	<u>7,430</u>
DEDUCTIONS	
Current	
Library	<u>30,854</u>
Total deductions	<u>30,854</u>
CHANGE IN NET ASSETS	(23,424)
NET ASSETS, BEGINNING OF YEAR	248,308
NET ASSETS, END OF YEAR	\$ <u><u>224,884</u></u>

(This page intentionally left blank.)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. **As** required **by** GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **fiduciary funds** account for assets held in trust for other agencies.

Private-Purpose Trust Funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

Agency Fund accounts for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

~~Private~~—sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the **GASB**. The City also has the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. ~~All~~ revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) Cash and Investments

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

(e) Restricted Cash and Investments

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(f) Restricted Assets with Fiscal Agents

In the Electric Enterprise Fund, restricted assets represent the proceeds of the 2008 Certificates of Participation reserved for debt service. In the Capital Outlay Reserve Fund, the restricted assets represent the proceeds of the 2002 Improvement bonds reserved for debt service. In the Wastewater fund, the restricted assets represent the proceeds of the 2003B, the 2004A and 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system.

(g) Property Taxes

San Joaquin County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is lien based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2008, upon which the 2009 levy was based, was \$5,259,431,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2010, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The cities receive 95% of the property taxes in advance from the County and the 5% remaining after reconciling the cities' balances at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

h) Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of the property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Lodi was \$1,247,562. Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables. Under the

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Securitization program, California Communities, acting solely as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under the Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

(i) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

(j) Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures, initially made by one fund that is properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

(k) Long-term Obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gains or losses occurring from advance refunding are deferred and amortized as an expense for both governmental and business-type activities.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(l) Loan Receivable

Loan receivable reported in the HOME Program & Community Development Block Grants Special Revenue Fund represent funds the City loaned to a developer on November 15, 1995 for a low-income housing project. The City will receive principal and interest from the original loan in 2025 and can use it for allowable projects or to make new loans.

(m) Advance Receivable

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating reserve that is refundable upon demand by the City (See Note 13).

(n) Inventory

General fund inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

(o) Deferred Charges

Deferred charges reported in the Electric Enterprise Fund include costs incurred in connection with the issuance of the 2002 Certificates of Participation Series C & D amortized over 9.5 years and the 2008 Certificates of Participation Series A amortized over 24 years. It also includes the buyout cost of the Calpine energy purchase contract amortized over 9.5 years. The deferred charges reported in the Wastewater Enterprise Fund include costs incurred on the issuance of the 20039 and 2004A Certificates of Participation amortized over 20 years and the 2007A Certificates of Participation amortized over 30 years.

(p) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net assets. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

(q) Compensated Absences/Vacation and Sick Leave

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

(r) Self-Insurance

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual **loss** on claims arising prior to year-end including claims incurred but not reported.

(s) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(t) Statement of Cash Flows

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(u) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	\$	59,450,595
Restricted assets		32,816,776
Fiduciary funds cash and investments:		
Private-purpose trust funds		224,884
Agency fund		585,172
Total cash and investments	\$	<u>93,077,427</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$	2,471
Deposits with financial institutions		20,840,105
Investments		72,234,851
Total cash and investments	\$	<u>93,077,427</u>

(a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agency securities and instruments, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, certificates of deposit, mutual funds that invest in eligible securities, guaranteed investment contracts, medium term notes as permitted by the Government Code, and the State of California Local Agency Investment Fund (LAIF). The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements and to the extent that they are permissible investments of funds of the City. The following table below identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer	Minimum Credit Quality
U.S. Treasury Obligations	5 years	100%		AAA
U.S. Agency Securities	5 years	100%		AAA
Banker's Acceptances	180 days	40%	25%	AAA
Certificates of Deposit	5 years	100%	33%	
Negotiable Certificates of Deposit	5 years	30%		
Commercial Paper	270 days	40%		AAA
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account	unrated
Money Market Mutual Funds	Indefinite	20%		AAA
Guaranteed investment contracts (GICs)	5 years	100%		AA-
Medium term Notes	5 years	30%		AAA

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Investment as of June 30, 2010	Maturity <u>Less than One Year</u>	Maturity <u>One to Five Years</u>	<u>Total</u>
LAIF	\$ 68,093,185		\$ 68,093,185
Money Market Mutual Funds	141,190		141,190
Held by bond trustee:			
Money Market Mutual Funds	1,748,520		1,748,520
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	<u>\$ 69,982,895</u>	<u>2,169,850</u>	<u>72,152,745</u>
Equities and options			82,106
Total investments			<u>\$ 72,234,851</u>

Investments in equities are shares of stock received by the Library as an endowment from a private citizen.

(d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S & P of "AAAm-G," "AAA-m" or "AA-m" and rated by Moody's "Aaa," "Aa1" or "Aa2." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

(e) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF and money market mutual funds are not subject to the concentration of credit risk disclosure.

(f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. \$16,604,373 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The California Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

(g) Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by **LAIF**, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2010 was \$23.3 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2010 had a balance of \$69.4 billion. Of this amount, 5.42% were invested in structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 203 days as of June 30, 2010.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which maybe withdrawn, **is** determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool, Withdrawals from LAIF are done on a dollar for dollar basis.

In accordance with GASB Statement 31, investments are marked to fair values annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$ 19,800
Uncollectibles related to electric sales and services	259,500
Uncollectibles related to wastewater services	66,400
Uncollectibles related to water sales and services	60,500
Total uncollectibles of the current fiscal year	<u>\$ 406,200</u>

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2010 are as follows:

Due from	Due to	Amount
Other governmental	General	\$ 1,327,820
Other governmental	Other governmental	214,910
		<u>\$ 1,542,730</u>

"Due to" and "due from" balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$ 1,327,820 and \$214,910 represent cash deficits in other governmental funds.

Advances from	Advances to	Amount
General	Other governmental	\$ 305,560
Other governmental	Other governmental	343,385
Water	Other governmental	1,225,173
		<u>\$ 1,874,118</u>

The \$305,560 from the General Fund to the other governmental is an advance used for the start up costs of a redevelopment agency. The \$343,385 advance from other governmental was used for the Lower Sacramento Road expansion project and other street projects. The \$1,225,173 advance from the Water Fund was used for the construction of Fire Station #4.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(5) TRANSFERS

Transfers for the year ended June 30, 2010, are summarized as follows:

<u>Transfers out:</u>	<u>Transfers in</u>		
	General	Other Governmental	Total
General	\$	4,632,278	\$ 4,632,278
Other governmental		672,429	672,429
Electric	3,356,383		3,356,383
Wastewater	1,451,478		1,451,478
Water	1,060,122		1,060,122
Total	\$ 5,867,983	5,304,707	\$ 11,172,690

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out of \$3,356,383 from the Electric Fund, \$1,451,478 from Wastewater Fund, and \$1,060,122 from Water Fund represent the cost of services reimbursement to the General Fund.

The \$4,632,278 transfers out from the General Fund to other governmental represent transfers of \$1,013,602 to the Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; \$1,166,095 to the Community Center and \$494,130 to the Recreation Fund; \$38,100 to the Library Fund for the Library renovation and HVAC projects; \$162,100 to Community Development; \$371,480 to the Vehicle and Equipment Fund which include \$306,480 for vehicle replacements and \$65,000 for information systems replacements; \$704,000 to the Capital Outlay Reserve Fund for capital projects; and \$682,771 to Streets for various street projects.

The transfer out of \$672,429 from other governmental to other governmental includes \$663,329 transferred from Community Center to Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; and transfer of \$2,510 from the Community Development, \$3,400 from Recreation Fund, and \$3,190 from the Community Center to the Vehicle and Equipment Fund for fleet replacement.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2010, was as follows:

<u>Governmental activities</u>	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 24,099,912			\$ 24,099,912
Work of art	62,024	242,883		304,907
Construction in progress	6,069,109	3,551,424	(1,168,529)	8,452,004
Total capital assets, not being depreciated	30,231,045	3,794,307	(1,168,529)	32,856,823
Capital assets, being depreciated:				
Buildings and improvements	57,497,939	903,668		58,401,607
Machinery and equipment	9,391,739	867,159	(3,172)	10,255,726
Vehicles	9,243,947	141,286	(50,537)	9,334,696
Infrastructure	124,938,445	980,034		125,918,479
Total capital assets, being depreciated	201,072,070	2,892,147	(53,709)	203,910,508
Less accumulated depreciation for:				
Buildings and improvements	21,846,360	1,509,224		23,355,584
Machinery and equipment	7,778,087	577,510	(3,172)	8,352,425
Vehicles	8,005,653	374,989	(50,537)	8,330,105
Infrastructure	55,260,221	5,509,099		60,769,320
Total accumulated depreciation	92,890,321	7,970,822	(53,709)	100,807,434
Total capital assets, being depreciated, net	108,181,749	(5,078,675)		103,103,074
Governmental activities capital assets, net	\$ 138,412,794	(1,284,368)	(1,168,529)	135,959,897

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Business-type activities

	Balance			Balance
	June 30, 2009			June 30, 2010
	Restated	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 5,438,359			\$ 5,438,359
Construction in progress	53,305,763	4,344,218	(2,240,770)	55,409,211
Total capital assets, not being depreciated	58,744,122	4,344,218	(2,240,770)	60,847,570
Capital assets, being depreciated:				
Buildings and improvements	36,987,436	678,764		37,666,200
Machinery and equipment	147,374,081	3,254,612	(493,833)	150,134,860
Vehicles	8,365,153	174,525	(289,960)	8,249,718
Total capital assets, being depreciated	192,726,670	4,107,901	(783,793)	196,050,778
Less accumulated depreciation for:				
Buildings and improvements	10,715,991	940,540		11,656,531
Machinery and equipment	44,274,012	4,241,647		48,515,659
Vehicles	5,681,176	882,861	(289,960)	6,274,077
Total accumulated depreciation	60,671,179	6,065,048	(289,960)	66,446,267
Total capital assets, being depreciated, net	132,055,491	(1,957,147)	(493,833)	129,604,511
Business-type activities capital assets, net	\$ 190,799,613	2,387,071	(2,734,603)	190,452,081

The business-type activities June 30, 2009 balance was restated for wastewater and water infrastructure that were understated.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 673,552
Public protection	959,865
Public works	5,653,343
Community development	5,709
Library	12,520
Parks and recreation	664,386
internal service funds	<u>1,447</u>
Total depreciation expense - governmental activities	<u>\$ 7,970,822</u>

Business-type activities:

Electric	\$ 1,548,997
Wastewater	2,205,327
Water	1,267,086
Transit	<u>1,043,638</u>
Total depreciation expense - business-type activities	<u>\$ 6,065,048</u>

(7) OPERATING LEASES

The City *is* obligated under various operating leases for the use of buildings and office space. Total costs for such leases were \$25,000 for the year ended June 30, 2010.

Future minimum lease payments required by lease agreements that have initial or remaining noncancellable lease terms of one year or more as of June 30, 2010, are as follows:

<u>Fiscal Years Ending</u>	
2011	\$ <u>21,000</u>
Total minimum lease payments required under operating leases	<u>\$ 21,000</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2010:

	Interest Rates	June 30, 2009	Additions	Reductions	June 30, 2010	Amounts Due Within One Year
Governmental activities:						
Compensated absences		\$ 7,274,132	2,374,780	(1,998,011)	\$ 7,650,901	\$ 2,374,780
2002 Certificates of Participation	3.0-5.0%	22,855,000		(590,000)	22,265,000	610,000
Note payable	5.0%	245,000			245,000	
Capital leases	5.3-5.39%	277,001		(135,425)	141,576	141,576
Self-insurance liability		6,531,336	4,064,109	(1,665,478)	8,929,967	4,064,109
Governmental activity long-term liabilities		<u>\$ 37,182,469</u>	<u>6,438,889</u>	<u>(4,388,914)</u>	<u>\$ 39,232,444</u>	<u>\$ 7,190,465</u>
 Business-type activities:						
Compensated absences		\$ 1,845,335	403,083	(357,198)	1,891,220	\$ 403,083
Pollution remediation obligation		69,952,135		(229,046)	69,723,089	
California Safe Drinking Water Note Payable	3.41%	1,584,763		(175,462)	1,409,301	181,496
Certificates of Participation:						
2008 Certificates of Participation	3.8-5.05%	60,685,000			60,685,000	
Add deferred amounts:						
For issuance premium		572,897		(24,910)	547,987	24,909
Less deferred amounts:						
From refunding		(6,938,078)		301,656	(6,636,422)	(301,656)
Net		<u>54,319,819</u>	<u>276,746</u>	<u>276,746</u>	<u>54,596,565</u>	<u>(276,747)</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

	Interest Rates	June 30, 2009	Additions	Reductions	June 30, 2010	Amounts Due Within One Year
2002 Certificates of Participation C & D	1.54-5.25%	28,750,000		(2,920,000)	25,830,000	3,080,000
Add deferred amounts:						
For issuance premium		164,094		(65,637)	98,457	65,636
Total		<u>28,914,094</u>		<u>(2,985,637)</u>	<u>25,928,457</u>	<u>3,145,636</u>
2003 Certificates of Participation B	2.0-5.0%	4,045,000		(205,000)	3,840,000	210,000
Add deferred amounts:						
For issuance premium		58,453		(4,102)	54,351	4,102
Total		<u>4,103,453</u>		<u>(209,102)</u>	<u>3,894,351</u>	<u>214,102</u>
2004 Certificates of Participation A	2.0-5.5%	23,480,000		(1,010,000)	22,470,000	1,050,000
Add deferred amounts:						
For issuance premium		324,474		(21,276)	303,198	21,277
Total		<u>23,804,474</u>		<u>(1,031,276)</u>	<u>22,773,198</u>	<u>1,071,277</u>
2007 Certificates of Participation A	4.0-5.0%	30,215,000		(105,000)	30,110,000	110,000
Add deferred amounts:						
For issuance premium		233,848		(8,252)	225,596	8,253
Less deferred amounts:						
From refunding		<u>(767,616)</u>		<u>44,499</u>	<u>(723,117)</u>	<u>(44,499)</u>
Net		<u>29,681,232</u>		<u>(68,753)</u>	<u>29,612,479</u>	<u>73,754</u>
Total Certificates of Participation		<u>140,823,072</u>		<u>(4,018,022)</u>	<u>136,805,050</u>	<u>4,228,022</u>
Business-type activity long-term liabilities		<u>\$ 214,205,305</u>	<u>403,083</u>	<u>(4,779,728)</u>	<u>\$ 209,828,660</u>	<u>\$ 4,812,601</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for \$8,929,967 and \$125,527 for compensated absences were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Long-term debt payable at June 30, 2010, comprised of the following individual issues:

California Safe Drinking Water Note Payable

The City entered into a contract on October 16, 1991, with the State of California Department of Water Resources to assist the City in financing the construction of water wells enabling the City to meet safe drinking water standards established by the State. The original amount of the note was \$3,129,828 and is secured by the project and to be repaid with user fees collected by the Water Enterprise Fund. Semiannual payments of \$114,012, are payable each October 1 and April 1 through 2017.

Annual debt service requirements to maturity of water note payable are as follows:

Fiscal Year Ending June 30,	Business-typeActivities	
	Principal	Interest
2011	\$ 181,496	\$ 46,528
2012	187,658	40,366
2013	194,263	33,762
2014	200,872	27,152
2015	207,780	20,244
2016-2017	437,232	18,815
Total	\$ <u>1,409,301</u>	\$ <u>186,867</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Note Payable

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the new Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2012.

Annual debt service requirements to maturity of the note payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$	\$ 14,700
2012	245,000	11,025
Total	\$ 245,000	\$ 25,725

Certificates of Participation

\$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued \$9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is \$5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from \$185,000 to \$365,000 with final payment due October 1, 2023. The City has pledged future wastewater revenues, net of specified operating expenses, to repay \$5.0 million in wastewater revenue bonds. The bonds are payable solely from wastewater customer net revenues. The total principal and interest remaining to be paid on the bonds is \$5,286,678. Principal and interest paid for the current year and total net revenues were \$381,400 and \$6,104,000, respectively.

The Authority's Water and Wastewater Pooled Financing Program is available to California water and wastewater agencies to facilitate the financing or refinancing of capital improvements. The program is available to California cities and special districts that operate water or wastewater enterprises. The Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code to issue bonds to finance and refinance water and wastewater public capital improvements of local agencies located throughout California.

\$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is \$31,952,612. Principal and interest paid for the current year and total net revenues were \$2,138,700 and \$6,104,000 respectively.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

\$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts from \$105,000 to \$2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is \$60,422,738. Principal and interest paid for the current year and total net revenues were \$1,631,500 and \$6,104,000, respectively.

\$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City; to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2010, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Street Square Conference and Performing Arts Center. Principal is payable annually on October 1 in amounts from \$730,000 to \$1,600,000 with final payment due October 1, 2031.

\$21,225,000 Revenue Certificates of Participation 2002 Series C and **\$22,740,000** Revenue Certificates of Participation Series D were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. On November 21, 2002, the City issued \$21,225,000 Revenue Certificates of Participation 2002 Series C and \$22,740,000 Revenue Certificates of Participation 2002 Taxable Series D to buy out the amended contract in the amount of \$42,406,175. Principal is payable annually on July 1 in amounts from \$110,000 to \$5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is \$30,154,357. Principal and interest paid for the current year and total net revenues were \$4,236,460 and \$20,339,011, respectively.

The City issued **\$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding \$46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay \$8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

payable annually on July 1 in amounts from \$2,390,000 to \$5,090,000 with final payment due July 1, 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is \$105,689,275. Interest paid for the current year and total net revenues were \$2,957,775 and \$20,339,011, respectively.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 610,000	\$ 1,060,956	\$ 4,450,000	\$ 6,899,699
2012	630,000	1,036,156	4,700,000	6,708,685
2013	655,000	1,010,047	6,075,000	6,457,944
2014	690,000	981,013	6,325,000	6,151,475
2015	715,000	949,400	6,610,000	5,828,957
2016-2020	4,085,000	4,201,120	27,870,000	24,652,287
2021-2025	5,165,000	3,094,263	28,850,000	18,475,869
2026-2030	6,595,000	1,636,125	31,540,000	10,976,750
2031-2035	3,120,000	158,000	19,515,000	3,746,125
2036-2038			7,000,000	536,500
Total	\$ 22,265,000	\$ 14,127,080	\$ 142,935,000	\$ 90,434,291

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Capital Leases

The City has entered into a lease agreement for financing the acquisition of two fire trucks. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of inception date. The assets acquired through this capital lease are as follows:

	Governmental Activities
Asset:	
Vehicles	\$ 883,037
Less accumulated depreciation	(412,084)
Total	<u>\$ 470,953</u>

The present values of future minimum capital lease payments as of June 30, 2010, are as follows:

Fiscal Years Ending	
2011	\$ 148,003
Total minimum lease payments	148,003
Less amounts representing interest	(6,427)
Present value of minimum capital lease payments	<u>\$ 141,576</u>

Special Assessment District Debt

The City issued limited obligation improvement bonds on July 22, 1996, for the "Lodi Central City Revitalization Assessment District." These bonds have no governmental commitment and debt service is recorded in an Agency Fund. These bonds were issued under the Improvement Act of 1915 and will mature in the year 2011. The City's liability in the event of delinquent assessment shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2010, is \$320,000.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for purchase of water from the Woodbridge Irrigation District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(9) NATURE AND PURPOSE OF REPORTED FUND EQUITY

The following is a summary of reserved, unreserved-designated and unreserved-undesignated fund balances at June 30, 2010:

	General	Other Governmental	Total
Reserved for:			
Library	\$ 48,966		\$ 48,966
Encumbrances	33,270	7,457,554	7,490,824
Advances to other funds	305,560	343,385	648,945
Inventory	844		844
Total Reserved	<u>388,640</u>	<u>7,800,939</u>	<u>8,189,579</u>
Unreserved-designated for:			
Specific projects and programs		6,356,272	6,356,272
Total Designated		<u>6,356,272</u>	<u>6,356,272</u>
Unreserved- undesignated	3,896,576	(1,743,956)	2,152,620
Total Fund Balances	<u>\$ 4,285,216</u>	<u>12,413,255</u>	<u>\$ 16,698,471</u>

Reserved Fund Balance

Reserved represents that portion that is legally segregated for specific purposes and is not available for discretionary appropriation.

Unreserved-Designated Fund Balance

Designated represents that portion for which the City has made tentative plans.

Unreserved-Undesignated Fund Balance

Undesignated represents that portion which is available for budgeting in future periods.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(10) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City of Lodi contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office- 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.727% for miscellaneous employees, 23.838% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

(c) Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$2,674,227 for the Safety Plan and \$2,017,879 for the Miscellaneous Plan were equal to the City's required contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.25% payroll growth, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. Amortization of the remaining period for the Safety Plan was 30 years and for the Miscellaneous Plan was 21 years as of June 30, 2009.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(d) Trend Information

Three-Year Trend information (\$ Amounts in Thousands):

SAFETY PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 2,519	100%	\$0
6/30/09	2,761	100%	\$0
6/30/10	2,674	100%	\$0

MISCELLANEOUS PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$2,277	100%	\$0
6/30/09	2,184	100%	\$0
6/30/10	2,018	100%	\$0

(e) Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the Safety Plan was 82% funded and the Miscellaneous Plan was 90% funded. The actuarial accrued liability for benefits was \$103 million for the Safety Plan and \$118 million for the Miscellaneous Plan, and the actuarial value of assets were \$85 million for the Safety Plan and \$106 million for the Miscellaneous Plan; resulting in an unfunded actuarial accrued liability (UAAL) of \$18 million for the Safety Plan and \$12 million for the Miscellaneous Plan. The covered payroll (annual payroll of active employees covered by the plans) were \$10 million for the Safety Plan and \$19 million for the Miscellaneous Plan, and the ratio of the UAAL to the covered payroll was 178.4% and 63.7% for the Safety and Miscellaneous plans, respectively.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

(11) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through PERS healthcare program. Employees who retire from the City and receive a PERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

Group	Hired prior to:
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	July 1, 1994
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995
Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

The most widely elected options are the "Bank option and the "Conversion" option. Under the "Bank option, accumulated sick leave amounts are translated by specified formulas into a bank amount that is then used to pay postemployment healthcare premiums until the "Bank" is exhausted. Under the "Conversion" option, the accumulated sick leave hours are converted by specified formulas into a period of time during which the retiree will receive postemployment benefits. The number of hours is multiplied by 50% and converted to days. The City pays one month's premium for employee and dependents for each day after conversion. For each year of employment in excess of ten years, 2.5% is

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

added to the 50% before conversion. The amount of premium paid will be the same as the premium paid by the City at the time of retirement. In the event that the premium increases, the retiree pays the difference.

The City also allows a surviving dependent of a retiree to enroll in the Sick Leave Conversion program to purchase medical insurance at the employee only premium for the same period as if the retiree had not died. Retirees are allowed to enroll in any of the available PERS medical plans. The PERS minimum amount will continue for the life of the retiree and surviving spouse. The "Conversion" benefit will continue until the end of a period that is based on accumulated sick leave at retirement.

(b) Funding Policy

Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. For fiscal year 2009-10, the City contributed \$459,203, or 34.43%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,333,419
Interest on net OPEB obligation	47,821
Adjustment to annual required contribution	<u>(47,359)</u>
Annual OPEB cost (expense)	1,333,881
Contribution made	<u>(459,203)</u>
Increase in net OPEB obligation	874,678
Net OPEB obligation - beginning of year	<u>1,195,521</u>
Net OPEB obligation - end of year	<u><u>\$ 2,070,199</u></u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, are as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 1,785,173	33.03%	\$ 1,195,521
06/30/2010	1,333,881	34.43%	2,070,199

(d) Funding Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 17,710,456
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$ 17,710,456</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 9,409,782
UAAL as percentage of annual covered payroll	188.21%

(e) Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; an annual healthcare cost trend rate of 8.5% initially, reduced by .3 percent increments to an ultimate rate of 5.5% in the eleventh year and beyond; the PERS minimum benefit will increase 5% per year; a 3.25% annual rate of increase in payroll; assumed that 100% future eligible retirees will elect to maintain their enrollment in a PERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option. The conversion option is not available to IBEW and Fire retirees. The unfunded actuarial accrued liability is amortized as a level of percentage of expected payroll over thirty years.

Since the prior valuation in 2008, there have been several factors which decreased the City's GASB 45 Actuarial Accrued Liability. These include (1) fewer participants covered under the Conversion option due to pre-retirement termination of employment or cessation of medical coverage with the City; (2) updated actuarial assumptions and methods regarding coordination of the PERS minimum benefit and the Conversion benefit, effect of Medicare premiums on the Conversion benefit, and assumed duration of the PERS minimum benefit for widows; and (3) health premium increases which were lower than expected.

(12) CLAIMS AND BENEFITS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Funds.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City never had any settlements that exceeded its general liability insurance coverage (See Note 14).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City never had any settlements that exceeded its workers' compensation insurance coverage (See Note 14).

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

The City is fully self-insured for dental and unemployment for its employees.

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$8,929,967 at June 30, 2010, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2010 and 2009 are as follows:

	<u>Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 08-09	\$ 5,986,000	1,953,845	(1,408,509)	\$ 6,531,336
FY 09-10	\$ 6,531,336	4,064,109	(1,665,478)	\$ 8,929,967

(13) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

The City, along with thirteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and four other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

As of June 30, 2010, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$11,011,668.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Project Participation

The NCPA members and their percentage share at June 30, 2010, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.8825%	10.00%	21.820%	19.00%	30.3590%	%
BART						6.6000
Biggs	0.2270		.197		0.4082	0.2679
Gridley	0.3360		.350		0.7103	1.9643
Healdsburg	3.6740	1.66	5.833		6.6068	1.6428
Lodi	10.2800	10.37	13.393	39.50	18.4861	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.6194	2.0357
Palo Alto		22.92			11.0736	
Plumas-Sierra Rural Electric Coop	.7010	1.69	1.817		1.4647	0.7857
Roseville	7.8830	12.00		36.50	14.1756	
Santa Clara	44.3905	37.02	41.667			
Silicon Valley Power						25.7500
Turlock Irrigation District	6.3305					
Ukiah	5.6145	2.04	9.090		10.0963	■7857
NON-MEMBERS						
Azusa						2.7857
CDWR						33.5000
Modesto irrigation District						10.7143
PWRPA						2.6679

Bulk power purchased by the City through NCPA amounted to \$37,548,115 during the year ended June 30, 2010 and is reflected in utilities expense in the Electric Enterprise Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$63 million at June 30, 2010.

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2010, approximately \$458 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project

The project consists of five combustion turbine units; each nominally rated at 25 megawatts. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2010 approximately \$4 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 18.4861% of the debt service and operating costs. At June 30, 2010, approximately \$0.9 million in long-term debt was outstanding.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Capital Facilities Project

The Project consists of one 49.9 megawatt natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2010, approximately \$55 million in long-term debt was outstanding.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) currently being built in Lodi on city property. Total project cost is estimated at about \$375 million and expected to start producing electricity in June 2012.

Under a power purchase agreement, the City is obligated to pay 9.5% of the debt service and operating costs. At June 30, 2010, approximately \$396 million in long-term debt was outstanding.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30,2010

The following are the most recent available audited condensed financial statements of NCPA:

Combined Balance Sheet
June 30,2010
(in thousands)

Assets			Liabilities and Capitalization		
Current assets	\$	66,022	Current portion of long-term debt	\$	41,475
Restricted assets		508,400	Other current liabilities		43,179
Electric plant, net		410,304	Other liabilities and deferred credits		186,256
Other assets and deferred charges		<u>186,839</u>	Long-term debt, net		866,874
			Net assets		<u>33,781</u>
Total assets	\$	<u><u>1,171,565</u></u>	Total liabilities and net assets	\$	<u><u>1,171,565</u></u>

Combined Statement of Revenues and Expenses
and Changes in net Assets
Year ended June 30,2010
(in thousands)

Sales for resale	\$	304,345
Operating expenses		(257,851)
Other expenses		(29,903)
Future recoverable costs		<u>(5,251)</u>
Net revenues before refunds		11,340
Refunds to participants		<u>(9,573)</u>
Increase in net assets		1,767
Net assets, beginning of year		<u>32,014</u>
Net assets, end of year	\$	<u><u>33,781</u></u>

Combined Statement of Cash Flow
Year ended June 30,2010
(in thousands)

Net cash from operating activities	\$	97,890
Net from investing activities		28,554
Net cash from capital and related financing activities		252,751
Net cash from noncapital and related financing activities		<u>(49,485)</u>
Increase in cash and cash equivalents		329,710
Cash and cash equivalents, beginning of year		<u>110,269</u>
Cash and cash equivalents end of year	\$	<u><u>439,979</u></u>

At June 30, 2010, NCPA's total outstanding long-term debt was \$977,440,000 at an average interest rate of 5%. The current portion of long-term debt at June 30,2010, was \$41,475,000.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Complete financial information for NCPA may be obtained at the following administration office:
Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the costs to operate TANC and has the right to participate in future project agreements. The joint power agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 339-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western System Coordinating Council (WSCC) region. The WSCC approved rating of the COI is 4,800 MW and the Pacific Direct Current Intertie (PDCI) is 3,100 MW for a combined total of 7,900 MW of transfer capability. Depending on the time of year, operational transfer capability of the combined COI and PDCI is between 6,900 MW and 7,900 MW.

TANC, California Department of Water Resources (CDWR), Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, TANC is entitled to use approximately 1,242 MW, and is obligated to pay an average of approximately 73 percent of the operating costs associated with the project.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2009, approximately \$431 million in long-term debt was outstanding of which \$14 million is considered current.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California
3100 Zinfandel Drive, Suite 600
Sacramento, CA 95670

(14) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with 16 other individual cities and 4 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses because adequate insurance is not available in the commercial insurance market. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2010, deposits of \$82,607 were paid to CJPRMA for the liability program.

The participants at June 30, 2010, are as follows: City of Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, NCCSIF, Petaluma, Redding, Richmond, Redwood Empire Municipal Insurance Fund, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority
3252 Constitution Dr.
Livermore, CA 94551

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with **thirty-two** other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, 250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$276,322 in deposits to LAWCX during the fiscal year ended June 30, 2010.

The participants at June 30, 2010, are as follows: Alameda, ABAG, BCJPIA, City of Benicia, CCCTA, Central San Joaquin Valley Risk Mgmt Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, FASIS, City of **Gilroy**, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, MBASIA, **MCLAIA**, City of Morgan Hill, City of Newark, **PARSAC**, City of Placentia, **PERMA**, City of Roseville, City of San Leandro, City of Santa Maria, City of Santee, Small Cities Org. Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of **Vacaville**, City of Vallejo, Vector Control JPA and City of Vista.

Complete financial information for LAWCX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

California Transit Insurance Pool

The City, along with thirty-three other public agencies is a member of California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

CalTIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

The City paid \$106,237 in deposits to CalTIP during the fiscal year ended June 30, 2010. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

	Program	Self-Insured Retention	Limit (in millions)	Physical Damage
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for CalTip may be obtained at the following administration office:

California Transit Insurance Pool
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

(15) DEFICIT IN FUND EQUITY

Nonmajor Governmental Fund – Community Development – A deficit in fund equity in the amount of \$838,657 at June 30, 2010, is attributed to the unprecedented decrease in development due to the stagnant economy. The fund deficit is decreasing compared to the prior year. The City has taken corrective action by raising the related fees and reducing expenditures.

Nonmajor Governmental Fund – Community Center – A deficit in fund equity in the amount of \$352,199 at June 30, 2010, is attributed to the unexpected additional personnel costs due to early retirement; equipment purchases necessary to support operation; and the decline in projected revenues. Revenue enhancements, re-organization and streamlining of services will be pursued in the future to adequately fund the Community Center.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Nonmajor Governmental Fund – Recreation Fund - A deficit in fund equity in the amount of \$154,782 at June 30, 2010, is attributed to charges for services coming in lower than expected; additional personnel costs for increased supervision for all of the aquatics areas; and increased hours of operation. The recreation department will pursue expanded operations, program growth, enhanced revenue generation, and staffing adjustments to adequately fund its operations in the future.

Nonmajor Governmental Fund – Public Safety Fund - A deficit in fund equity in the amount of \$155,236 at June 30, 2010, is primarily due to the expenditures incurred through the Homeland Security Grant which will be reimbursed in March 2011 per grant agreement.

Internal Service Funds - Benefits Fund - A deficit in fund equity in the amount of \$1,930,874 at June 30, 2010, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2010, was \$2,070,199. The City is still weighing its options whether to pre-fund the OPEB obligation or continue on a pay-as-you-go basis. It will be addressed during the budget process.

Internal Service Funds - Insurance Fund - A deficit in fund equity in the amount of \$1,368,350 at June 30, 2010, is attributed to the increase of \$2,398,631 in required workers' compensation reserves. It will be addressed during the budget process.

Proprietary Funds – Water Fund - The deficit in fund equity in the Water Fund of \$3,909,796 was the result of the accrual of pollution remediation obligation as required by the implementation of GASB Statement No. 49. The balance of the accrual as of June 30, 2010, was \$69,723,089. In January 2006, the City increased water rates specifically to address groundwater contamination cleanup. This increase is generating approximately \$3.0 million annually.

(16) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the Community Center and the Recreation special revenue funds by \$55,389 and \$89,292, respectively. These overexpenditures were funded by interfund loans from the General Fund.

(17) RESTATEMENT OF NET ASSETS

In the prior year, some wastewater and water mains were expensed rather than capitalized resulting in an adjustment to the beginning net assets of the Wastewater Fund and the Water Fund in the amount of \$170,669 and \$3,918,917, respectively.

(18) POLLUTION REMEDIATION OBLIGATION

Lodi relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board in the early 1990's under the Well Investigation program

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations were discharged to the sewer system. In 1997, the Department of Toxic Substances Control and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City has settled with all the involved parties.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Board's Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the Regional Boards' Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the State Board. The City's total pollution remediation obligation as of June 30, 2010, is \$69,723,089. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

(19) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City has fully resolved all the litigation arising out of its groundwater contamination. Settlement and rate revenues have amassed an \$18 million dollar reserve which is expected to cover all costs through the next 10 years. Costs thereafter can be effectively managed with new rate revenues. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action. However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition.

All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

Water Purchase Agreement with Woodbridge Irrigation District – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. Commencing on January 1 of the seventh year, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2010

Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2010, for any of the City's outstanding Certificates of Participation.

(20) SUBSEQUENT EVENTS

On September 30, 2010, the City repaid the remaining balance (\$1,409,301) of its loan with the Department of Water Resources. This loan was used to assist the City in financing the construction of water wells enabling the City to meet safe drinking water standards established by the State. The original amount of the note was \$3,129,828 and was secured by the project and to be repaid with user fees collected by the Water Enterprise Fund through 2017.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Bonds, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

(21) FUTURE GASB PRONOUNCEMENTS

In February of 2009, the GASB issued Statement No. **54, *fund Balance Reporting and Governmental fund Type Definitions***, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The objective of this statement is to establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the City's year ending June 30, 2011.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2010
(in thousands of dollars)

Plan	Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll - $\frac{[(B) - (A)]}{(C)}$
Safety	6/30/06	\$ 73,211	\$ 88,372	\$ 15,161	82.8%	\$ 9,424	160.9%
	6/30/07	79,126	94,644	15,518	83.6%	9,900	156.7%
	6/30/08	84,853	103,447	18,594	82.0%	10,422	178.4%
Miscellaneous	6/30/06	90,676	101,994	11,318	88.9%	17,412	65.0%
	6/30/07	98,377	108,528	10,151	90.6%	17,421	58.3%
	6/30/08	105,760	117,537	11,777	90.0%	18,486	63.7%

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2010
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Normal Accrued Liability (B)	Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) - (A)]/(C)}
1/1/08	\$ 0	\$ 23,323	\$ 23,323	0%	\$ 9,846	237%
1/1/10	0	17,710	17,710	0%	9,410	188%

As, required by GASB Statement No. 45, the City will report three years of data in the above table, as the information becomes available in subsequent years.

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

Year ended June 30, 2010

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 22,931,191	22,931,191	23,118,461	\$ 187,270
Licenses and permits	67,950	67,950	72,171	4,221
Intergovernmental revenues	8,278,755	8,278,755	7,772,071	(506,684)
Charges for services	901,122	901,122	1,343,199	442,077
Fines, forfeits and penalties	1,279,000	1,279,000	1,441,354	162,354
Investment and rental income	449,475	449,475	516,304	66,829
Miscellaneous revenue	132,300	132,300	462,592	330,292
Total revenues	34,039,793	34,039,793	34,726,152	686,359
EXPENDITURES				
Current				
General government				
City Council	129,786	122,356	121,812	544
City Manager	1,045,137	1,040,544	1,033,538	7,006
City Clerk	416,820	406,300	400,146	6,154
City Attorney	462,890	435,367	393,430	41,937
Human Resources	538,183	502,942	454,400	48,542
Information Systems	965,135	945,490	920,911	24,579
Financial Services	1,605,070	1,620,062	1,618,792	1,270
Budget and Treasury	555,660	480,278	476,568	3,710
Non Departmental	1,190,534	1,096,779	992,144	104,635
Total general government	6,909,215	6,650,118	6,411,741	238,377
Public protection				
Police	14,847,828	15,338,824	15,311,038	27,786
Fire	8,417,969	8,559,655	8,543,867	15,788
Total public protection	23,265,797	23,898,479	23,854,905	43,574
Public Works	1,913,401	1,530,573	1,471,779	58,794
Library	1,354,910	1,354,910	1,322,052	32,858
Parks	2,235,681	2,236,262	2,234,349	1,913
Debt service				
Interest and fiscal charges	12,578	12,578	12,578	
Principal payments	135,425	135,425	135,425	
Total debt service	148,003	148,003	148,003	
Total expenditures	35,827,007	35,818,345	35,442,829	375,516
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,787,214)	(1,778,552)	(716,677)	1,061,875
OTHER FINANCING SOURCES (USES)				
Transfers in	5,867,983	5,867,983	5,867,983	
Transfers out	(4,632,278)	(4,632,278)	(4,632,278)	
Total other financing sources (uses)	1,235,705	1,235,705	1,235,705	
NET CHANGE IN FUND BALANCE	(551,509)	(542,847)	519,028	1,061,875
FUND BALANCE, beginning of year	3,945,711	3,945,711	3,766,188	(179,523)
FUND BALANCE, end of year	\$ 3,394,202	3,402,864	4,285,216	\$ 882,352

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI
Notes to the Required Supplementary Information
June 30, 2010

Budgetary Data

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets of capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for Debt Service Funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

Original Budget

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. **All** other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

(This page intentionally left blank.)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

Debt Service Fund account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

Capital Project Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30,2010

	Special Revenue	Capital Projects	Total
<u>Assets</u>			
Cash and investments	\$ 9,702,184	4,697,959	\$ 14,400,143
Restricted assets		1,687,521	1,687,521
Receivables:			
Accounts, net	1,031,110	246,363	1,277,473
Interest	12,314	3,504	15,818
Due from other funds	214,910		214,910
Due from other governmental agencies	1,670,408		1,670,408
Loan receivable	1,084,000		1,084,000
Other assets	1,290		1,290
Advances to other funds	55,000	288,385	343,385
Total assets	\$ 13,771,216	6,923,732	\$ 20,694,948
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and other liabilities	\$ 1,229,147	99,274	\$ 1,328,421
Due to other funds	1,542,730		1,542,730
Advances from other funds	288,385	1,585,733	1,874,118
Deferred revenue	3,501,695	34,729	3,536,424
Total liabilities	6,561,957	1,719,736	8,281,693
Fund Balances :			
Reserved for encumbrances	6,191,332	1,266,222	7,457,554
Reserved for advances to other funds	55,000	288,385	343,385
Unreserved-designated for specific projects and programs	2,706,883	3,649,389	6,356,272
Unreserved-undesignated	(1,743,956)		(1,743,956)
Total fund balances	7,209,259	5,203,996	12,413,255
Total liabilities and fund balances	\$ 13,771,216	6,923,732	\$ 20,694,948

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	\$ 447,332			\$ 447,332
Intergovernmental revenues	4,453,058		353,471	4,806,529
Charges for services	2,516,785		256,115	2,772,900
Fines, forfeits and penalties	2,200			2,200
Investment and rental income	384,497		22,600	407,097
Miscellaneous revenue	311,282		319,294	630,576
Total revenues	<u>8,115,154</u>		<u>951,480</u>	<u>9,066,634</u>
Expenditures:				
Current:				
General government	1,253,983			1,253,983
Public protection	610,583			610,583
Public works	2,911,292			2,911,292
Community development	1,013,008			1,013,008
Parks and recreation	1,945,470			1,945,470
Capital outlay	2,441,513		2,666,087	5,107,600
Debt service:				
Interest and fiscal charges		1,086,931	10,920	1,097,851
Principal payments		590,000		590,000
Total expenditures	<u>10,175,849</u>	<u>1,676,931</u>	<u>2,677,007</u>	<u>14,529,787</u>
Deficiency of revenues under expenditures	<u>(2,060,695)</u>	<u>(1,676,931)</u>	<u>(1,725,527)</u>	<u>(5,463,153)</u>
Other financing sources (uses):				
Transfers in	2,505,096	1,676,931	1,122,680	5,304,707
Transfers out	(672,429)			(672,429)
Total other financing sources (uses)	<u>1,832,667</u>	<u>1,676,931</u>	<u>1,122,680</u>	<u>4,632,278</u>
Net change in fund balances	(228,028)		(602,847)	(830,875)
Fund balances, beginning of year	<u>7,437,287</u>		<u>5,806,843</u>	<u>13,244,130</u>
Fund balances, end of year	<u>\$ 7,209,259</u>		<u>\$ 5,203,996</u>	<u>\$ 12,413,255</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Community Center

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater.

Recreation

This fund was established to account for the revenues and expenditures related to the wide-range of recreation activities and programs offered to the public.

Public Safety

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies.

Community Development

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Streets Fund

This fund was established to account for the following:

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

Development Impact Mitigation Fees

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Intermodal Surface Transportation Efficiency Act (ISTEA)

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (**HES**) for street lighting projects.

Transportation

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

HOME Program and Community Development Block Grants

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2010

	Community Center	Recreation	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS								
Cash and Investments	\$		64,926		9,589,658	47,600	\$	9,702,184
Receivables:								
Accounts. net	6,857	12,924	27,450	9,337	974,542			1,031,110
Interest			384	2,340	9,590			12,314
Due from other funds					214,910			214,910
Due from other governmental agencies			409,113		874,543		386,752	1,670,408
Advances to other funds					55,000			55,000
Other assets							1,290	1,290
Loan receivable							1,084,000	1,084,000
TOTAL ASSETS	\$ 6,857	12,924	501,873	11,677	11,718,243	47,600	1,472,042	\$ 13,771,216
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other liabilities	\$ 30,727	14,303	140,699	4,246	865,064	976	173,132	\$ 1,229,147
Due to other funds	328,329	153,403		846,088			214,910	1,542,730
Advances from other funds					288,385			288,385
Deferred revenue			516,410		1,901,285		1,084,000	3,501,695
TOTAL LIABILITIES	359,056	167,706	657,109	850,334	3,054,734	976	1,472,042	6,561,957
FUNDBALANCES (DEFICIT)								
Reserved for encumbrances			243,082		5,921,946	26,304		6,191,332
Reserved for advances to other funds					55,000			55,000
Unreserved-designated for specific projects and programs					2,686,563	20,320		2,706,883
Unreserved-undesignated	(352,199)	(154,782)	(398,318)	(838,657)				(1,743,956)
TOTAL FUND BALANCES (DEFICIT)	(352,199)	(154,782)	(155,236)	(838,657)	8,663,509	46,624		7,209,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,857	12,924	501,873	11,677	11,718,243	47,600	1,472,042	\$ 13,771,216

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	Community Center	Recreation	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES								
Licenses and permits	\$			447,332				\$ 447,332
Intergovernmental revenues			298,226		3,537,848	27,474	589,510	4,453,058
Charges for services	396,651	1,164,702		338,474	616,958			2,516,785
Fines, forfeits and penalties			2,200					2,200
Investment and rental income	232,856	77,365	1,644		72,632			384,497
Miscellaneous revenue	4,912	3,481		150,671	152,218			311,282
Total revenues	634,419	1,245,548	302,070	936,477	4,379,656	27,474	589,510	8,115,154
EXPENDITURES								
Current								
General government	1,253,983							1,253,983
Public protection			610,583					610,583
Public works					2,321,782		589,510	2,911,292
Community development				1,013,008				1,013,008
Parks and recreation		1,945,470						1,945,470
Capital outlay					2,387,434	54,079		2,441,513
Total expenditures	1,253,983	1,945,470	610,583	1,013,008	4,709,216	54,079	589,510	10,175,849
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(619,564)	(699,922)	(308,513)	(76,531)	(329,560)	(26,605)		(2,060,695)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,166,095	494,130		162,100	682,771			2,505,096
Transfers out	(666,519)	(3,400)		(2,510)				(672,429)
Total other financing sources (uses)	499,576	490,730		159,590	682,771			1,832,667
NET CHANGE IN FUND BALANCES	(119,988)	(209,192)	(308,513)	83,059	353,211	(26,605)		(228,028)
FUND BALANCES (DEFICIT), beginning of year	(232,211)	54,410	153,277	(921,716)	8,310,298	73,229		7,437,287
FUND BALANCES (DEFICIT), end of year	\$ (352,199)	(154,782)	(155,236)	(838,657)	8,663,509	46,624		\$ 7,209,259

CITY OF **LODI**
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30,2010

	COMMUNITY CENTER		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 443,578	396,651	\$ (46,927)
Investment and rental income	250,000	232,856	(17,144)
Miscellaneous revenue		4,912	4,912
Total Revenue	693,578	634,419	(59,159)
EXPENDITURES			
Current			
General government	1,198,594	1,253,983	(55,389)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(505,016)	(619,564)	(114,548)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,166,095	1,166,095	
Transfers out	(666,519)	(666,519)	
Total other financing sources (uses)	499,576	499,576	
NET CHANGE IN FUND BALANCE	(5,440)	(119,988)	(114,548)
FUND DEFICIT, BEGINNING OF YEAR	(232,211)	(232,211)	
FUND DEFICIT, END OF YEAR	\$ (237,651)	(352,199)	\$ (114,548)

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	RECREATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 1,260,188	1,164,702	\$ (95,486)
Investment and rental income	90,000	77,365	(12,635)
Miscellaneous revenue		3,481	3,481
Total Revenue	1,350,188	1,245,548	(104,640)
EXPENDITURES			
Current			
Parks and recreation	1,856,178	1,945,470	(89,292)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(505,990)	(699,922)	(193,932)
OTHER FINANCING SOURCES (USES)			
Transfers in	494,130	494,130	
Transfers out	(3,400)	(3,400)	
Total other financing sources (uses)	490,730	490,730	
NET CHANGE IN FUND BALANCE	(15,260)	(209,192)	(193,932)
FUND BALANCE, BEGINNING OF YEAR	54,410	54,410	
FUND DEFICIT, END OF YEAR	\$ 39,150	(154,782)	\$ (193,932)

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 742,623	298,226	\$ (444,397)
Fines, forfeits and penalties	3,000	2,200	(800)
Investment and rental income		1,644	1,644
Total Revenue	745,623	302,070	(443,553)
EXPENDITURES			
Current			
Public protection	806,420	610,583	195,837
NET CHANGE IN FUND BALANCE	(60,797)	(308,513)	(247,716)
FUND BALANCE, BEGINNING OF YEAR	153,277	153,277	
FUND DEFICIT, END OF YEAR	\$ 92,480	(155,236)	\$ (247,716)

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NBNMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	\$ 580,645	447,332	\$ (133,313)
Charges for services	441,000	338,474	(102,526)
Miscellaneous revenue	<u>244,146</u>	<u>150,671</u>	<u>(93,475)</u>
Total Revenue	1,265,791	936,477	(329,314)
EXPENDITURES			
Current			
Community development	<u>1,126,074</u>	<u>1,013,008</u>	<u>113,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>139,717</u>	<u>(76,531)</u>	<u>(216,248)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	162,100	162,100	
Transfers out	<u>(2,510)</u>	<u>(2,510)</u>	
Total other financing sources (uses)	<u>159,590</u>	<u>159,590</u>	
NET CHANGE IN FUND BALANCE	299,307	83,059	(216,248)
FUND DEFICIT, BEGINNING OF YEAR	<u>(921,716)</u>	<u>(921,716)</u>	
FUND DEFICIT, END OF YEAR	<u>\$ (622,409)</u>	<u>(838,657)</u>	<u>\$ (216,248)</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS * SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	STREETS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 4,217,866	3,537,848	\$ (680,018)
Charges for services	655,937	616,958	(38,979)
Investment and rental income	71,000	72,632	1,632
Miscellaneous revenue	20,000	152,218	132,218
Total Revenue	<u>4,964,803</u>	<u>4,379,656</u>	<u>(585,147)</u>
EXPENDITURES			
Current			
Public works	2,599,516	2,321,782	277,734
Capital outlay	6,601,746	2,387,434	4,214,312
Total Expenditures	<u>9,201,262</u>	<u>4,709,216</u>	<u>4,492,046</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,236,459)	(329,560)	3,906,899
OTHER FINANCING SOURCES			
Transfers in	<u>682,771</u>	<u>682,771</u>	
NET CHANGE IN FUND BALANCE	(3,553,688)	353,211	3,906,899
FUND BALANCE, BEGINNING OF YEAR	<u>8,310,298</u>	<u>8,310,298</u>	
FUND BALANCE, END OF YEAR	<u>\$ 4,756,610</u>	<u>8,663,509</u>	<u>\$ 3,906,899</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 27,474	27,474	\$
Total Revenue	27,474	27,474	
EXPENDITURES			
Capital outlay	54,079	54,079	
NET CHANGE IN FUND BALANCE	(26,605)	(26,605)	
FUND BALANCE, BEGINNING OF YEAR	73,229	73,229	
FUND BALANCE, END OF YEAR	\$ 46,624	46,624	\$

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2010

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 751,256	589,510	\$ (161,746)
EXPENDITURES			
Current			
Public works	\$ 751,256	589,510	\$ 161,746
NET CHANGE IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR			

(This page intentionally left blank.)

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established and this organization organizes events to raise money for the capital restoration of Hutchins Street Square.

Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily by operating transfers from other funds and from State and Federal grants.

Lodi Lake

This fund was established to account for moneys charged for activities held at Lodi Lake. The Council designated the monies to be used for Lodi Lake capital projects.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2010**

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
ASSETS						
Cash and investments	\$ 2,147,719	62,139	2,181	2,378,113	107,807	\$ 4,697,959
Restricted assets				1,687,521		1,687,521
Receivables:						
Accounts, net				246,363		246,363
Interest				3,454	50	3,504
Advances to other funds				288,385		288,385
TOTAL ASSETS	\$ 2,147,719	62,139	2,181	4,603,836	107,857	\$ 6,923,732
LIABILITIES						
Accounts payable and other liabilities	\$ 3,820	45,523		15,024	34,907	\$ 99,274
Advances from other funds				1,585,733		1,585,733
Deferred revenue				34,729		34,729
TOTAL LIABILITIES	3,820	45,523		1,635,486	34,907	1,719,736
FUND BALANCES						
Reserved for encumbrances	3,289			1,245,615	17,318	1,266,222
Reserved for advances to other funds				288,385		288,385
Unreserved designated for specific projects and programs	2,140,610	16,616	2,181	1,434,350	55,632	3,649,389
TOTAL FUND BALANCES	2,143,899	16,616	2,181	2,968,350	72,950	5,203,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,147,719	62,139	2,181	4,603,836	107,857	\$ 6,923,732

CITY OF LODI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS- CAPITAL PROJECT FUNDS
 Year ended June 30,2010

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
REVENUES						
Intergovernmental revenues	\$			353,471		\$ 353,471
Charges for services				249,010	7,105	256,115
Investment and rental income				21,678	922	22,600
Miscellaneous revenue	25,786	134,000			159,508	319,294
Total revenues	25,786	134,000		624,159	167,535	951,480
EXPENDITURES						
Capital outlay	197,624	326,713		1,746,638	395,112	2,666,087
Debt service:						
Interest and fiscal charges				10,920		10,920
Total expenditures	197,624	326,713		1,757,558	395,112	2,677,007
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(171,838)	(192,713)		(1,133,399)	(227,577)	(1,725,527)
OTHER FINANCING SOURCES						
Transfers in	380,580	38,100		704,000		1,122,680
NET CHANGE IN FUND BALANCES	208,742	(154,613)		(429,399)	(227,577)	(602,847)
FUND BALANCES, BEGINNING OF YEAR	1,935,157	171,229	2,181	3,397,749	300,527	5,806,843
FUND BALANCES, END OF YEAR	\$ 2,143,899	16,616	2,181	2,968,350	72,950	\$ 5,203,996

(This page intentionally left blank.)

INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

Fleet Services

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

Benefits

These funds are used to account for the following employee benefits:

Dental	Employee assistance program
Chiropractic	Employee recognition program
Life/accidental insurance	Unemployment insurance
Medical	Flexible spending program
Vision	Long Term Disability

Insurance

These funds are used to account for the following insurances:

General Liability
Workers' Compensation
Other Insurance

CITY OF LODI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30,2010

	<u>Fleet Services</u>	<u>Benefits</u>	<u>Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 132,679	159,274	7,976,207	\$ 8,268,160
Receivables:				
Accounts, net			2,040	2,040
Interest	154	255	9,477	9,886
Inventory	121,947			121,947
Other assets		14,293		14,293
Noncurrent assets:				
Capital assets (net)	34,734			34,734
Total current assets	<u>289,514</u>	<u>173,822</u>	<u>7,987,724</u>	<u>8,451,060</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	74,602	34,497	426,107	535,206
Self-insurance liability			4,064,109	4,064,109
Accrued compensated absences	57,884			57,884
Noncurrent liabilities:				
Self-insurance liability			4,865,858	4,865,858
Accrued compensated absences	67,643			67,643
Net OPEB obligation		2,070,199		2,070,199
Total liabilities	<u>200,129</u>	<u>2,104,696</u>	<u>9,356,074</u>	<u>11,660,899</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	34,734			34,734
Unrestricted (deficit)	54,651	(1,930,874)	(1,368,350)	(3,244,573)
Total net assets (deficit)	<u>\$ 89,385</u>	<u>(1,930,874)</u>	<u>(1,368,350)</u>	<u>\$ (3,209,839)</u>

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30,2010

	Fleet Services	Benefits	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 1,211,132	6,360,018	2,698,687	\$ 10,269,837
OPERATING EXPENSES				
Personnel services	955,023	391,331	111,383	1,457,737
Supplies, materials and services	186,441	5,333,905	381,392	5,901,738
Utilities	1,919			1,919
Depreciation and amortization	1,447			1,447
Claims	21,570	1,500,450	4,064,109	5,586,129
TOTAL OPERATING EXPENSES	<u>1,166,400</u>	<u>7,225,686</u>	<u>4,556,884</u>	<u>12,948,970</u>
OPERATING INCOME (LOSS)	<u>44,732</u>	<u>(865,668)</u>	<u>(1,858,197)</u>	<u>(2,679,133)</u>
NONOPERATING REVENUES				
Investment income		733	48,173	48,906
Other revenues		12,785	13,885	26,670
TOTAL NONOPERATING REVENUES		<u>13,518</u>	<u>62,058</u>	<u>75,576</u>
Change in net assets	44,732	(852,150)	(1,796,139)	(2,603,557)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>44,653</u>	<u>(1,078,724)</u>	<u>427,789</u>	<u>(606,282)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 89,385</u>	<u>(1,930,874)</u>	<u>(1,368,350)</u>	<u>\$ (3,209,839)</u>

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30,2010

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$	13,999	11,845	\$ 25,844
Receipts from interfund services provided	1,211,132	6,360,018	2,698,687	10,269,837
Cash paid to suppliers for goods & services	(185,058)	(5,992,895)	(1,688,401)	(7,866,354)
Payments to employees	(955,681)	(391,331)	(111,383)	(1,458,395)
Net cash provided by (used for) operating activities	70,393	(10,209)	910,748	970,932
Cash flows from investing activities:				
Interest on investments		1,548	62,028	63,576
Net cash provided by investing activities		1,548	62,028	63,576
Net increase (decrease) in cash and cash equivalents	70,393	(8,661)	972,776	1,034,508
Cash and cash equivalents, beginning of year	62,286	167,935	7,003,431	7,233,652
Cash and cash equivalents, end of year	<u>\$ 132,679</u>	<u>159,274</u>	<u>7,976,207</u>	<u>\$ 8,268,160</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating Income (loss)	\$ 44,732	(865,668)	(1,858,197)	(2,679,133)
Adjustments to reconcile operating income (loss) to				
net cash provided (used for) by operating activities:				
Depreciation and amortization	1,447			1,447
Other revenues		12,785	13,885	26,670
Change in assets and liabilities:				
Decrease (increase) in accounts receivable		639	(2,040)	(1,401)
Decrease in inventory	319			319
Decrease in other assets		575		575
Increase (decrease) in accounts payable and other liabilities	24,553	(33,218)	358,469	349,804
Decrease in compensated absences	(658)			(658)
Increase in net OPEB obligation		874,678		874,678
Increase in self-insurance liability			2,398,631	2,398,631
Net cash provided (used for) by operating activities	<u>\$ 70,393</u>	<u>(10,209)</u>	<u>910,748</u>	<u>\$ 970,932</u>

(This page intentionally left blank.)

FIDUCIARY FUNDS

Private-purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2010

	Private-Purpose Trust Funds		Total
	Library	Hutchins Street Square Bequest	
ASSETS			
Cash and Investments	\$ 223,396	1,488	\$ 224,884
TOTAL ASSETS	<u>223,396</u>	<u>1,488</u>	<u>224,884</u>
NET ASSETS	<u>\$ 223,396</u>	<u>1,488</u>	<u>\$ 224,884</u>

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30,2010

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	\$ 7,425	5	\$ 7,430
Total additions	<u>7,425</u>	<u>5</u>	<u>7,430</u>
DEDUCTIONS			
Current			
Library	<u>30,854</u>		<u>30,854</u>
Total deductions	<u>30,854</u>		<u>30,854</u>
CHANGE IN NET ASSETS	(23,429)	5	(23,424)
NET ASSETS, BEGINNING OF YEAR	<u>246,825</u>	<u>1,483</u>	<u>248,308</u>
NET ASSETS, END OF YEAR	<u>\$ 223,396</u>	<u>1,488</u>	<u>\$ 224,884</u>

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30,2010

	Special Assessments			
	Balance 711/09	Additions	Deductions	Balance 6130110
ASSETS				
Cash and investments	\$ 617,876	366,849	399,553	\$ 585,172
Special assessment receivable	78,336	13,850	78,336	13,850
Interest receivable	2,083		2,083	
TOTAL ASSETS	\$ 698,295	380,699	479,972	\$ 599,022
LIABILITIES				
Agency obligations	\$ 698,295		99,273	\$ 599,022
TOTAL LIABILITIES	\$ 698,295		99,273	\$ 599,022

(This page intentionally left blank.)

STATISTICAL TABLES

UNAUDITED

STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

Contents

Panes

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

110-115

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

116-121

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

122-127

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

128-130

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

131-135

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the current year. The City implemented **GASB** Statement 34 for the fiscal year ended June 30, 2003, schedules presenting government-wide information include information beginning that year.

CITY OF LODI

NET ASSETS BY COMPONENT LAST EIGHT FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:								
Invested in capital assets, net of related debt	\$ 113,308	\$ 115,036	\$ 107,874	\$ 110,815	\$ 111,572	\$ 106,293	\$ 100,749	\$ 94,681
Restricted	13,233	13,492	15,043	15,044	14,526	13,465	11,205	12,811
Unrestricted	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)	(8,801)	(9,437)	(7,334)
Total governmental activities net assets	\$ 120,431	\$ 125,066	\$ 118,755	\$ 121,891	\$ 117,260	\$ 110,957	\$ 102,517	\$ 100,158
Business-type activities:								
Invested in capital assets, net of related debt	\$ 100,233	\$ 95,533	\$ 98,109	\$ 97,961	\$ 77,494	\$ 67,668	\$ 64,214	\$ 62,752
Restricted			8,657	8,711	10,969	2,351	2,578	240
Unrestricted	(28,591)	(35,448)	26,460	6,417	1,880	7,445	(7,511)	(10,270)
Total business-type activities net assets	\$ 71,642	\$ 60,085	\$ 133,226	\$ 113,089	\$ 90,343	\$ 77,464	\$ 59,281	\$ 52,722
Primary government:								
Invested in capital assets, net of related debt	\$ 213,541	\$ 210,569	\$ 205,983	\$ 208,776	\$ 189,066	\$ 173,961	\$ 164,963	\$ 157,433
Restricted	13,233	13,492	23,700	23,755	25,495	15,816	13,783	13,051
Unrestricted	(34,701)	(38,910)	22,298	2,449	(6,958)	(1,356)	(16,948)	(17,604)
Total primary government net assets	\$ 192,073	\$ 185,151	\$ 251,981	\$ 234,980	\$ 207,603	\$ 188,421	\$ 161,798	\$ 152,880

Note: The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET ASSETS LAST EIGHT FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities								
General government	\$ 8,749	\$ 9,451	\$ 8,307	\$ 7,853	\$ 9,746	\$ 9,958	\$ 13,167	\$ 12,238
Public protection	27,186	27,110	25,531	23,328	22,105	22,253	19,162	16,632
Public works	10,462	10,464	12,224	10,599	13,229	12,377	11,868	10,946
Community development	1,114	1,323	2,027	2,130	2,290			
Library	1,440	1,495	1,696	1,630	1,485	1,484	1,409	1,454
Parks and recreation	5,077	4,609	4,414	4,172	4,114	4,565	4,095	3,989
Interest and fiscal charges	1,105	1,134	1,166	1,201	1,234	1,617	1,267	1,214
Total governmental activities expenses	55,133	55,586	55,365	50,913	54,203	52,254	50,968	46,473
Business-type activities								
Electric	64,364	73,358	65,201	67,534	63,780	57,308	55,943	51,388
Wastewater	11,289	10,940	12,227	9,271	8,574	10,653	6,297	6,141
Water	6,148	9,604	9,920	9,875	8,256	11,748	7,489	12,879
Transit	4,785	4,832	3,908	3,577	3,643	3,018	3,064	5,389
Total business-type activities expenses	86,586	98,734	91,256	90,257	84,253	82,727	72,793	75,797
Total primary government expenses	\$ 141,719	\$ 154,320	\$ 146,621	\$ 141,170	\$ 138,456	\$ 134,981	\$ 123,761	\$ 122,270
Program Revenues								
Governmental activities								
Charges for services								
General government	\$ 2,184	\$ 1,631	\$ 1,544	\$ 1,280	\$ 1,232	\$ 3,639	\$ 3,144	\$ 2,355
Public protection	714	844	837	582	563	623	525	541
Public works	326	358	755	295	320	461	430	335
Community development	786	749	1,085	1,174	1,630			
Library	48	44	53	53	54	49	50	57
Parks and recreation	1,269	1,158	851	1,007	918	833	679	586
Operating grants and contributions	1,977	1,951	2,305	2,589	2,587	2,195	2,321	3,315
Capital grants and contributions	5,122	10,822	4,717	6,975	14,631	17,559	13,894	6,814
Total governmental activities program revenues	12,376	17,557	12,147	13,955	21,935	25,359	21,043	14,003
Business-type activities:								
Charges for services:								
Electric	69,664	74,000	69,284	65,809	59,112	53,908	52,899	48,873
Wastewater	11,513	9,276	9,091	8,524	8,927	8,086	6,560	6,760
Water	11,716	11,787	11,350	10,040	8,343	7,713	6,007	5,532
Transit	217	251	278	401	386	340	244	293
Operating grants and contributions	3,449	3,653	3,381	2,621	3,377	2,731	2,547	1,772
Capital grants and contributions	1,408	5,774	8,064	19,984	11,146	3,401	8,268	6,566
Total business-type activities program revenues	97,967	104,741	101,448	107,379	91,291	76,179	76,525	69,796
Total primary government program revenues	\$ 110,343	\$ 122,298	\$ 113,595	\$ 121,334	\$ 113,226	\$ 101,538	\$ 97,568	\$ 83,799
Net (Expense)/Revenue								
Governmental activities	\$ (42,757)	\$ (38,029)	\$ (43,218)	\$ (36,958)	\$ (32,268)	\$ (26,895)	\$ (29,925)	\$ (32,470)
Business-type activities	11,381	6,007	10,192	17,122	7,038	(6,548)	3,732	(6,001)
Total primary government net expense	\$ (31,376)	\$ (32,022)	\$ (33,026)	\$ (19,836)	\$ (25,230)	\$ (33,443)	\$ (26,193)	\$ (38,471)

(Continued)

CITY OF LODI

CHANGES IN NET ASSETS (Continued) LAST EIGHT FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:								
Governmental activities								
Taxes								
Property	\$ 12,836	\$ 13,564	\$ 13,838	\$ 9,524	\$ 8,031	\$ 7,124	\$ 7,188	\$ 6,398
Franchise taxes	8,658	8,357	9,338	9,609	8,721	8,918	8,381	7,624
Business license tax	1,242	1,190	1,140	1,082	973	982	874	822
Transient occupancy tax	382	405	396	380	368	352	317	400
Grants and contributions not restricted to	7,064	8,249	9,593	14,772	14,215	13,193	11,895	12,069
Investment earnings	155	467	1,008	874	328	150	125	269
Other	1,917	2,382	1,077	621	1,012	608	590	137
Transfers	5,868	5,368	3,693	4,727	4,923	4,008	2,915	2,981
Total governmental activities	38,122	39,982	40,083	41,589	38,571	35,335	32,285	30,700
Business-type activities								
Investment earnings	731	1,385	2,028	2,380	2,008	1,880	2,242	6,457
Litigation-environmental lawsuits	300	2,010	8,892	6,222	6,700	9,150	865	2,728
Other	923	1,891	2,717	1,749	2,056	2,432	2,635	1,594
Special item-forgiveness of debt						15,277		
Special item-swap termination		(8,979)						
Transfers	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)	(4,008)	(2,915)	(2,981)
Total business-type activities	(3,914)	(9,061)	9,944	5,624	5,841	24,731	2,827	7,798
Total primary government	\$ 34,208	\$ 30,921	\$ 50,027	\$ 47,213	\$ 44,412	\$ 60,066	\$ 35,112	\$ 38,498
Change in Net Assets								
Governmental activities	\$ (4,635)	\$ 1,953	\$ (3,135)	\$ 4,631	\$ 6,303	\$ 8,440	\$ 2,360	\$ (1,770)
Business-type activities	7,467	(3,054)	20,136	22,746	12,879	18,183	6,559	1,797
Total primary government	\$ 2,832	\$ (1,101)	\$ 17,001	\$ 27,377	\$ 19,182	\$ 26,623	\$ 8,919	\$ 27

The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 389	\$ 383	\$ 1,150	\$ 1,144	\$ 1,321	\$ 1,185	\$ 1,296	\$ 927	\$ 856	\$ 532
Unreserved	3,896	3,383	4,159	5,175	3,048	1,507	157	640	2,507	3,414
Total General Fund	\$ 4,285	\$ 3,766	\$ 5,309	\$ 6,319	\$ 4,369	\$ 2,692	\$ 1,453	\$ 1,567	\$ 3,363	\$ 3,946
All other governmental funds										
Reserved	\$ 7,801	\$ 1,487	\$ 1,932	\$ 1,874	\$ 1,138	\$ 4,942	\$ 3,778	\$ 6,405	\$ 3,363	\$ 2,779
Unreserved, reported in:										
Special revenue funds	963	6,540	7,433	6,651	6,271	1,400	534	2,322	1,814	2,439
Capital projects funds	3,649	5,217	5,504	6,200	5,663	5,650	5,720	7,655	17,905	1,695
Total all other governmental funds	\$ 12,413	\$ 13,244	\$ 14,869	\$ 14,725	\$ 13,072	\$ 11,992	\$ 10,032	\$ 16,382	\$ 23,082	\$ 6,913
	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441	\$ 14,684	\$ 11,485	\$ 17,949	\$ 26,445	\$ 10,859

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Taxes	\$ 23,118	\$ 23,516	\$ 24,712	\$ 20,594	\$ 18,094	\$ 17,606	\$ 16,908	\$ 24,100	\$ 23,043	\$ 21,909
Licenses and permits	520	431	683	717	1,020	2,511	2,021	1,669	1,464	1,592
Intergovernmental revenues	12,579	13,229	14,980	19,892	25,491	22,834	16,657	7,385	22,000	11,641
Charges for services	4,116	3,329	4,757	4,696	3,848	9,404	4,479	6,272	3,888	4,249
Fines and forfeitures	1,444	1,416	1,321	1,245	1,173	1,190	1,085	803	806	765
Investment and rental income	923	922	1,312	998	707	753	537	832	1,234	1,509
Miscellaneous revenue	1,093	1,762	822	304	653	458	473	453	1,349	383
Total revenues	43,793	44,605	48,587	48,446	50,986	54,756	42,160	41,514	53,784	42,048
Expenditures:										
Current:										
General government	7,666	8,431	9,545	8,893	8,345	10,858	10,815	10,874	8,987	8,862
Public protection	24,466	24,716	23,979	22,211	20,863	20,351	17,491	15,597	13,562	13,190
Public works	4,383	4,657	5,842	5,587	7,827	7,361	7,303	6,926	5,741	6,312
Community development	1,013	1,341	2,006	2,062	1,847					
Library	1,322	1,500	1,673	1,588	1,468	1,420	1,356	1,316	1,158	1,184
Parks and recreation	4,180	3,776	3,826	3,598	3,440	3,691	3,412	3,385	2,860	2,999
Capital outlay	5,108	6,791	4,207	3,526	7,232	9,508	10,041	12,943	17,948	12,044
Debt service:										
Interest and fiscal charges	1,110	1,139	1,170	1,205	1,238	1,645	1,245	1,220	679	755
Principal payments	725	789	898	900	892	855	759	730	555	530
Total expenditures	49,973	53,140	53,146	49,570	53,152	55,689	52,422	52,991	51,490	45,876
Excess (deficiency) of revenues										
Over (under) expenditures	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)	(933)	(10,262)	(11,477)	2,294	(3,828)

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Other financing sources (uses):										
Transfers in	11,173	10,609	7,058	8,863	9,142	8,017	9,774	11,209	12,500	9,355
Transfers out	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)	(4,009)	(6,859)	(8,228)	(13,052)	(10,090)
Capital lease proceeds						124	883		148	670
Proceeds from bond refunding									13,269	
Payment to refunded bond escrow									(13,269)	
Proceeds of certificates of participation									13,396	
Residual equity transfer										
Total other financing sources (uses)	5,868	5,367	3,693	4,727	4,923	4,132	3,798	2,981	12,992	(65)
Net change in fund balances	(312)	(3,168)	(866)	3,603	2,757	3,199	(6,464)	(8,496)	15,286	(3,893)
Fund balances, beginning of year	17,010	20,178	21,044	17,441	14,684	11,485	17,949	26,445	10,859	13,628
Adjustment to fund balance as previously reported									300	1,124
Fund balances, end of year	<u>\$ 16,698</u>	<u>\$ 17,010</u>	<u>\$ 20,178</u>	<u>\$ 21,044</u>	<u>\$ 17,441</u>	<u>\$ 14,684</u>	<u>\$ 11,485</u>	<u>\$ 17,949</u>	<u>\$ 26,445</u>	<u>\$ 10,859</u>
Debt service as a percentage of noncapital expenditures	4.3%	4.3%	4.4%	4.8%	4.9%	5.7%	5.0%	5.1%	3.8%	3.9%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 2001 to 2010
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
Property	\$ 8,342	\$ 8,887	\$ 9,210	\$ 9,289	\$ 7,676	\$ 6,771	\$ 6,948	\$ 6,191	\$ 5,641	\$ 5,322	57%
Sales & Use	6,873	8,028	9,296	10,137	9,812	9,183	8,533	8,709	8,300	8,028	-14%
Transient Occupancy	382	405	396	380	368	352	317	400	439	390	-2%
Franchise	1,681	1,415	976	929	890	821	800	730	931	820	105%
Documentary Transfer	117	114	125	235	355	353	240	207	172	158	-26%
Motor Vehicle in Lieu	4,377	4,784	4,797	4,635	4,402	4,606	2,767	3,430	3,276	3,051	43%
Public Protection	267	296	338	390	310	304	264	247	231	242	10%
Business License	962	1,038	1,140	1,082	973	982	874	822	787	736	31%
In Lieu Franchise	6,977	6,942	8,362	8,680	7,831	8,097	7,581	6,894	6,569	6,015	16%
Totals	\$ 29,978	\$ 31,909	\$ 34,640	\$ 35,757	\$ 32,617	\$ 31,469	\$ 28,324	\$ 27,630	\$ 26,346	\$ 24,762	21%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

CITY OF LODI

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Secured roll	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788	\$ 4,799,141	\$ 4,254,184	\$ 3,877,398	\$ 3,619,116	\$ 3,381,945	\$ 3,096,937	\$ 2,880,201
Utility roll	2,423	2,031	2,035	2,773	3,654	3,782	3,893	3,352	3,379	3,484
Unsecured roll	270,315	263,648	258,687	242,082	216,065	215,469	202,785	207,095	198,678	177,040
Grossassessedvalue	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725
Less exemptions (1)	332,701	265,154	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473
Net assessed value	<u>4,926,730</u>	<u>5,157,231</u>	<u>5,087,251</u>	<u>4,814,947</u>	<u>4,253,313</u>	<u>3,879,572</u>	<u>3,613,692</u>	<u>3,391,435</u>	<u>3,108,742</u>	<u>2,875,252</u>
Land	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293	1,107,776	1,027,462	960,166	889,262	832,788
Improvements	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575	2,739,061	2,549,860	2,366,887	2,164,121	1,982,668
Personal property	312,792	281,915	289,770	285,340	258,035	249,812	248,472	265,339	245,611	245,269
Gross assessed value	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725
Less exemptions (1)	332,701	265,154	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473
Net assessed value	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>	<u>\$ 3,879,572</u>	<u>\$ 3,613,692</u>	<u>\$ 3,391,435</u>	<u>\$ 3,108,742</u>	<u>\$ 2,875,252</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - ~~\$68,632~~ and other - ~~\$264,069~~ ~~\$332,701~~

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic		All Other	Total
	Countywide Levy	School		
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475
2003	1.0000	0.0487	0.0000	1.0487
2002	1.0000	0.0002	0.0000	1.0002
2001	1.0000	0.0002	0.0000	1.0002

Source: San Joaquin County Tax Collector

CITY OF LODI

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2010			2001		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial HospitalAssn	\$ 155,179	1	3.334 %			
General Mills	147,574	2	3.171	\$ 175,049	1	6.496 %
Pacific Coast Producers	86,021	3	1.848	44,686	2	1.658
Calif Physicians Service Corp	51,083	4	1.098			
Cottage Bakery Inc	39,950	5	0.858			
Thule Hitch Systems	22,125	6	0.475			
Certainfeed Corp	18,623	7	0.400			
Dart Container Corp	18,446	8	0.396	12,885	6	0.478
Archer Daniels Midland Co Corp	16,935	9	0.364			
Wine & Roses LLC	16,440	10	0.353			
Dayton Hudson Corp				15,623	3	0.580
California Waste Removal System				14,354	4	0.533
GFLIP Limited Partners				12,941	5	0.480
Wells Fargo Bank				11,775	7	0.437
First Lodi Associates				11,620	8	0.431
Wallace Computer Service				10,738	9	0.399
Edmund N. Richmond				10,455	10	0.388
Principal Secured Property Valuation	572,376		12.299	320,126		11.880
Other Secured Taxpayers	4,414,317		94.850	2,560,075		95.003
Exemptions relative to secured tax roll	332,701		7.149	185,473		6.883
Total Secured Property Valuation	\$ 4,653,992		100.000 %	\$ 2,694,728		100.000 %

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Total Collections to Date	
			Amount	Percent of Levy (1)	Amount	Percent of Levy
2010	\$	8,291	\$ 8,291	100.0%	\$ 8,291	100.0%
2009		7,966	7,966	100.0%	7,966	100.0%
2008		8,167	8,167	100.0%	8,167	100.0%
2007		8,170	8,170	100.0%	8,170	100.0%
2006		7,815	7,815	100.0%	7,815	100.0%
2005		7,057	7,057	100.0%	7,057	100.0%
2004		6,570	6,570	100.0%	6,570	100.0%
2003		5,832	5,832	100.0%	5,832	100.0%
2002		5,757	5,757	100.0%	5,757	100.0%
2001		5,182	5,182	100.0%	5,182	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

CITY OF LODI

ELECTRICITY SOLD BY TYPE OF CUSTOMER LAST FIVE FISCAL YEARS

Type of Customer	Billed Accounts 2010	Billed Accounts 2009	Billed Accounts 2008	Billed Accounts 2007	Billed Accounts 2006
City Accounts	189	189	187	186	184
Contract Large Industrial			5	5	6
Contract Medium Industrial			1	1	2
Contract Small Industrial			1	0	1
Domestic Residential	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13
Dusk to Dawn	89	92	92	95	95
Large Commercial	357	377	380	375	359
Large Industrial	39	37	32	33	33
Medium Industrial	9	8	8	10	13
Residential Low Income	2,193	1,847	1,943	2,003	1,910
Small Commercial	3,280	3,249	3,199	3,241	3,279
Small Industrial	10	10	9	9	9
Total	<u>28,704</u>	<u>28,328</u>	<u>28,380</u>	<u>28,909</u>	<u>28,764</u>

Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Governmental Activities												Business-typeActivities						
Fiscal Year	Certificates of Participation		Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government	Percentof Personal Income (1)		Per Capita (1)						
2010	\$	22,265	\$	-	\$	245	\$	22,510	\$	142,935	\$	1,409	144,344	\$	166,854	n/a	%	2,626
2009		22,855				245		23,100		147,175		1,585	148,760		171,860	n/a		2,714
2008		23,420		94		245		23,759		139,760		1,755	141,515		165,274	8.94		2,608
2007		23,975		187		245		24,407		121,675		1,918	123,593		148,000	8.12		2,335
2006		24,510		279		245		25,034		125,340		2,077	127,417		152,451	8.90		2,427
2005		25,030		368		245		25,643		126,615		2,230	128,845		154,488	9.43		2,473
2004		25,530		456		245		26,231		148,675		2,378	151,053		177,284	11.43		2,917
2003		26,015		543		245		26,803		117,515		2,521	120,036		146,839	9.85		2,427
2002		26,745		622		245		27,612		75,285		2,660	77,945		105,557	7.36		1,776
2001		12,980						12,980		59,931		2,794	62,725		75,705	5.37		1,292

Details regarding the City's outstanding debt can be found in the Note 8 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Fiscal Year	Certificates of Participation	Total	Percent of Assessed Value (1) of Property	Per Capita
2010	\$ 22,265	\$ 22,265	0.4 %	\$ 350.36
2009	22,855	22,855	0.4	360.98
2008	23,420	23,420	0.4	369.62
2007	23,975	23,975	0.5	378.18
2006	24,510	24,510	0.5	390.18
2005	25,030	25,030	0.6	400.69
2004	25,530	25,530	0.7	420.12
2003	26,015	26,015	0.7	430.00
2002	26,745	26,745	0.8	450.02
2001	12,980	12,980	0.4	221.50

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

CITY OF LODI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Assessed valuation (1)	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269	\$ 4,887,074	\$ 4,325,000	\$ 3,951,862	\$ 3,686,227	\$ 3,464,195	\$ 3,177,319	\$ 2,942,348
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250	987,966	921,557	866,049	794,330	735,587
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	187,326	196,034	193,473	183,265	162,188	148,195	138,234	129,907	119,149	110,338
Total net debt applicable to limit										
Legal debt margin	\$ 187,326	\$ 196,034	\$ 193,473	\$ 183,265	\$ 162,188	\$ 148,195	\$ 138,234	\$ 129,907	\$ 119,149	\$ 110,338
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total net debt applicable to the limit as a percent of debt limit										

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$264,069 deducted for 2010.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2010

	<u>Total Debt (3)</u>	<u>Percentage Applicable (1)</u>	<u>City's Share of Debt</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Community College District	\$ 143,540,616	8.664 %	\$ 12,436,359
Lodi Unified School District	101,265,000	37.03	37,498,430
City of Lodi 1915 Act Bonds	320,000	100.00	<u>320,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			50,254,789
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	\$ 185,740,000	9.703 %	18,022,352
Lodi Unified School District Certificates of Participation	49,580,000	37.03	18,359,474
City of Lodi Certificates of Participation	22,265,000	100.00	<u>22,265,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			58,646,826
COMBINED TOTAL DEBT(2)			<u><u>\$ 108,901,616</u></u>
2009-10 Assessed Valuation			
	\$ 5,259,431,000		
2009-10 Population			
	63,549		
DEBT RATIOS			
	Total Gross Debt	\$ 108,901,616	\$ <u>Per Capita</u> 1,714
			<u>Value</u> 2.07%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) The June 30, 2010 information is not available so data as of September 1, 2010 was used to approximate the June 30, 2010 information.

SOURCE: California Municipal Statistics, San Francisco, CA

San Joaquin County Auditors-Controller Office

State of California, Department of Finance, Demographic Research Unit

CITY OF LODI

PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
Electric Revenue Certificates of Participation								
2010	\$ 70,288	\$ 49,949	\$ 20,339	\$ 2,920	\$ 4,274	\$ 7,194	2.83	
2009	75,195	58,370	16,825	5,240	4,720	9,960	1.69	
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27	
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35	
2006	61,066	51,131	9,935	-	3,613	3,613	2.75	
2005	60,793	44,252	16,541	5,895	3,146	9,041	1.83	
2004	56,347	45,045	11,302	2,150	3,261	5,411	2.09	
2003	55,847	39,584	16,263	4,575	2,836	7,411	2.19	
2002	49,858	61,039	(11,181)	1,100	1,646	2,746	(4.07)	
2001	45,435	43,407	2,028		1,391	1,391	1.46	

continued

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:		Net Available Revenue	Debt Service			Coverage					
		Adjusted Operating Expenses (2)	Principal		Interest	Total							
Wastewater Certificates of Participation													
2010	\$	12,284	\$	6,180	\$	6,104	\$	1,320	\$	2,832	\$	4,152	1.47
2009		10,764		5,921		4,843		1,270		2,882		4,152	1.17
2008		10,530		6,189		4,341		1,355		2,334		3,689	1.18
2007		9,881		5,287		4,594		1,315		2,017		3,332	1.38
2006		9,865		4,886		4,979		1,275		2,056		3,331	1.49
2005		9,232		4,781		4,451		540		2,210		2,750	1.62
2004		7,211		4,385		2,826		175		715		890	3.18
2003		7,428		4,380		3,048		160		639		799	3.81
2002		5,277		4,808		469		150		649		799	0.59
2001		5,175		4,336		839		145		658		803	1.04
2000		4,284		3,147		1,137		140		667		807	1.41

Includes all nongeneral obligation long term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in the Note 8 of these financial statements.

(1) Total operating revenues including investment earnings.

(2) Total operating expenses exclusive of in-lieu fees paid to the General Fund and depreciation and amortization.

Source: City of Lodi Financial Services Division

CITY OF LODI

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate
2010	13.92	63,549	0.6%	694,293	9.2%	136	n/a	n/a	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	n/a	n/a	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	\$ 1,849	\$ 29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%
2005	12.81	62,467	2.8%	653,333	9.6%	131	1,639	26,239	5.9%
2004	12.79	60,769	0.4%	630,600	9.6%	130	1,551	25,527	6.5%
2003	12.69	60,500	1.8%	613,500	9.9%	179	1,490	24,620	6.9%
2002	12.62	59,431	1.4%	596,000	10.0%	129	1,435	24,150	6.6%
2001	12.60	58,600	1.2%	583,700	10.0%	126	1,411	24,086	6.4%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.

CITY OF LODI

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Lodi Unified School District	3,301	1	12.64 %	2,247	1	8.60
Lodi Memorial Hospital	1,360	2	5.21	650	2	2.49
Pacific Coast Producers	1,200	3	4.59	530	4	2.03
Blue Shield	850	4	3.25			
Cottage Bakery	700	5	2.68			
General Mills	494	6	1.89	575	3	2.20
City of Lodi	457	7	1.75	413	5	1.58
Farmers & Merchants Bank	336	8	1.29	183	10	0.70
Walmart	285	9	1.09	226	6	0.86
Target	165	10	0.63	200	7	0.77
Valley Industries				191	9	0.73
Lodi Fab Industries. Inc				200	8	0.77
Total	<u>9,148</u>		<u>35.02</u>	<u>5,415</u>		<u>20.73</u>

Note: The City of Lodi implemented GASB44 for the fiscal year ended June 30, 2006

CITY OF LODI

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Department:										
Administration	31	32	19	35	33	37	36	37	34	34
Community Development	13	13	14	18	17	17	17	18	17	17
Electric	51	50	48	64	65	52	52	52	50	47
Financial Services	24	26	39	30	28	38	38	38	35	34
Fire	64	64	64	64	61	68	61	68	55	52
Library	14	14	14	16	14	15	15	15	14	14
Parks & Recreation	31	31	30	34	31	34	34	34	29	29
Police	125	125	125	116	117	117	116	117	115	114
Public Works	102	102	107	114	99	111	110	110	108	103
Total	455	457	460	491	465	489	479	489	457	444

Source: City of Lodi Budget Document

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT (continued) LAST FIVE FISCAL YEARS

	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
General government:					
Building permits issued	1,709	1,754	1,851	2,317	2,699
Business tax certificates:					
Retail sales and service	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	80	82	78	78	125
Professions	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,312	1,411	1,063	1,127	533
Utility billing/customer service:					
Number of customers	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	120	134	134	144	127
Public safety:					
Police:					
Major reported crimes	2,377	2,454	2,993	3,096	3,234
Total arrests	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	51,870	56,391	55,911	53,686	55,937
Fire:					
Interior structure fire calls	47	69	88	79	66
Non-structural fire calls	123	123	160	163	158
Hazardous materials calls	70	70	35	27	26
Emergency medical calls	3,494	3,364	3,420	3,213	2,912
Total emergency calls	5,385	5,392	5,346	5,000	4,447
Total number of units dispatched	7,390	7,038	7,841	7,005	6,055
Public works:					
Miles of streets resurfaced	3	6	5	4	33
Fleet job orders completed	3,303	3,921	3,520	6,938	5,608
Trees planted		96	130	95	
Water utility:					
New connections	17	17	35	110	266
Water main breaks	6	4	4	10	8
Wastewater utility:					
Average daily treatment (million gal/day)	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:					
Registered borrowers	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	251,967	219,717	280,466	273,270	281,216
Reference, research and informational questions answered	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries	207,123	n/a	296,793	288,070	287,986
Number of programs offered	344	316	348	339	320
Annual attendance at programs	10,676	8,765	11,242	10,700	10,872
Public access computer usage	52,124	38,388	38,999	35,260	29,896
Community center:					
Community center bookings	789	475	494	302	220

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT (continued) LAST FIVE FISCAL YEARS

	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Instructional classes	583	507	530	478	509
Registered students	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,355	14,050	14,410	14,429	15,369
Parks and recreation:					
After school program registration (number of participants/sites)	1,920/14	1,920/14	3,014/4	145,000/12	135,000/12
Adult sports					
Program/Participation	2,528	2,284	28,000	36,000	36,000
Programs offered	16	13	11	11	11
Partnerships	5	1	3	3	5
Tournaments	7	10	10	20	20
Youth/Teen sports					
Program attendance	4,251	215,000	195,000	200,000	200,000
Programs offered	16	24	14	14	20
Aquatics					
Program attendance	32,566	2,433	50,000	59,000	59,000
Number of programs	13	6	3	8	6

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued) LAST SIX FISCAL YEARS

		Fiscal Year					
		2010	2009	2008	2007	2006	2005
General government:							
Total square miles		13.92	13.92	13.92	13.17	12.81	12.81
Public safety:							
Police:							
Facilities:							
Stations		1	1	1	1	1	1
Animal control facility		1	1	1	1	1	1
Police training facility (pistol range)		1	1	1	1	1	1
Vehicles:							
Marked patrol cars		23	25	25	25	28	28
Motorcycles and scooters		5	5	5	5	4	1
Animal control vehicles		2	2	2	2	3	3
Other automobiles		37	38	40	41	41	41
Fire:							
Facilities:							
Fire stations		4	4	4	4	4	4
Vehicles:							
Fire engines		7	7	6	6	5	5
Trucks/Trailers		6	6	9	8	7	7
Other automobiles		10	12	7	10	11	11
Public works:							
Miles of streets		202	202	200	184	198	100
Miles of alley ways		16	16	16	16	16	14
Traffic signals		62	62	64	66	64	60
Street lights		7,270	7,270	7,270	7,270	7,203	6,995

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued) LAST SIX FISCAL YEARS

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Parks and recreation:						
Parks and squares	26	26	23	23	23	23
Park acreage	373	371	275	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1
Senior center	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1
Swimming pools	4	4	3	3	3	3
Baseball/softball diamonds	24	24	26	26	26	26
Tennis courts	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1
Playgrounds	25	25	22	22	22	22
Ballpark	24	24	26	26	26	26
Soccer Field	22	22	22	22	22	22
Football Field	1	1	3	3	3	3
Handball/Basketball/Volleyball Courts	10	10	8	8	8	8
Horseshoe Pits	6	6	7	10	10	10
Library:						
Central library	1	1	1	1	1	1
Total items in collection	130,530	135,197	142,885	142,098	134,129	137,673
Integrated library system	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1
Self check out machines	2	2	0	1	1	1
Electric utility:						
Overhead lines 12kv (miles)	130	130	130	129	129	129
Overhead lines 60kv (miles)	13	13	13	13	13	13
Underground lines (miles)	155	154	153	151	151	151

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued) LAST SIX FISCAL YEARS

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Water utility:						
Water main lines	237	233	233	238	235	230
Water storage capacity (gallons)	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	26	26	26	26	26	25
Water reservoirs	2	2	2	2	2	2
Wastewater utility:						
Wastewater main lines (miles)	191	194	194	189	182	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1
Stormwater utility:						
Stormwater main drain lines (miles)	124	161	119	161	115	114
Stormwater pump stations	14	14	14	14	13	14
Central parking district:						
Parking structure	1	1	1	1	1	1
Parking spaces	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to 2005 is not readily available.

Source: City of Lodi Departments

(This page intentionally left blank.)

SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30,2010

Federal Grantor			
Pass-through Grantor or Direct	CFDA	Grant/Project	
Program Title	Number	Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-06-0038	411,596
Passed through San Joaquin County Department of Planning and Building Inspection:			
Community Development Block Grants/Entitlement Grants	14.218	B-05-UC-06-0038	9,949
Community Development Block Grants/Entitlement Grants	14.218	B-06-UC-06-0038	71,839
Community Development Block Grants/Entitlement Grants	14.218	B-07-UC-06-0038	96,126
Total U.S. Department of Housing and Urban Development			<u>589,510</u>
U.S. Department of Justice			
Direct:			
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0151	<u>73,112</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0138	23,802
Passed through San Joaquin County			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-0539	63,996
Passed through City of Stockton			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0574	<u>3,404</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>91,202</u>
Total U.S. Department of Justice			<u>164,314</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30,2010

Federal Grantor Pass-through Grantor or Direct Program Title	CFDA Number	Grant/Project Number	Expenditures
U.S. Department of Transportation			
Direct:			
Federal Transit - Formula Grants	20.507	CA-90-Y389-00	126,546
Federal Transit - Formula Grants	20.507	CA-90-Y565-00	10,981
Federal Transit - Formula Grants	20.507	CA-90-Y736-00	(137,675)
Federal Transit - Formula Grants	20.507	CA-90-Y828-00	1,667,695
ARRA - Federal Transit - Formula Grants	20.507	CA-96-X052-00	453,161
Total Federal Transit - Formula Grants			2,120,708
Passed through California Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	ESPLE-5154(036)	713,682
Total U.S. Department of Transportation			2,834,390
U.S. Department of Energy			
Direct:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002707	434,979
U.S. Department of Homeland Security			
Passed through San Joaquin County:			
Homeland Security Grant Program	97.067	2008-0006	378,807
Total Federal Awards			\$ 4,402,000

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30,2010

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30,2010, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note I of the City's basic financial statements. All federal awards received directly from federal agencies, **as** well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, **as** described in Note 1 of the City's basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients **as** follows:

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 180,610



The Honorable Members of City Council
City of Lodi, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lodi, California (City), **as** of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting **as** a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A **material weakness** is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement **amounts**. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain matters that we reported to the City Council of the City of Lodi, in a separate letter dated December 7, 2010.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maclean Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2010



The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Lodi, California (City), with the types of compliance requirements described in the OMB ***Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A ***deficiency in internal control over compliance*** exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A ***material weakness in internal control over compliance*** is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, **as** defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency **as** described in the accompanying schedule of findings and questioned costs **as** item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maclean Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2010

**CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30,2010**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA No.</u>
Community Development Block Grants/Entitlement Grants	14.218
Highway Planning and Construction	20.205
Federal Transit – Formula Grants	20.507
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128
Homeland Security Grant Program	97.067

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
---	-----------

Auditee qualified as low-risk auditee?	Yes
--	-----

Section II – Financial Statement Findings

None

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2010-1
Federal Program Title: Community Development Block Grants/Entitlement Grants (CDBG)
Federal Catalog Number: 14.218
Federal Award Number and Year: B-09-MC-06-0038; 2009
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Category of Finding: Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(c) Federal Cash Transaction Report –

(1) Form.

- (i) For grants paid by letter or credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement.
- (ii) These reports will be used by the Federal agency to monitor cash advanced to grantees and to obtain disbursement or outlay information for each grant from grantees. The format of the report may be adapted as appropriate when reporting is to be accomplished with the assistance of automatic data processing equipment provided that the information to be submitted **is** not changed in substance.

(4) Frequency and due date. Grantees must submit the report no later than **15** working days following the end of each quarter.

Condition:

In gaining an understanding of the City's procedures to ensure compliance with the reporting requirements over the CDBG program set forth by OMB Circular A-133, we noted that the City does not submit Standard Form 272 (SF-272 reports).

Questioned Costs:

There are no questioned costs.

Context:

The City should have submitted four SF-272 reports during the year ended June 30, 2010.

Effect:

Continued noncompliance could result in the City losing out on future CDBG grants.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

Cause:

The City ~~was~~ under the impression that the Integrated Disbursement and Information System (IDIS) satisfies all financial reporting requirements for the CDBG program. However, in an Information Bulletin issued on August 23, 2010, the HUD Office of Community Planning and Development reminded grantees that have converted to the IDIS that the SF-272 reports are still required to be completed and submitted to HUD on a quarterly basis.

Recommendation:

The City should develop procedures that will ensure compliance with the reporting requirements over the CDBG program set forth by OMB Circular A-133, specifically procedures to prepare and submit **SF-272** reports no later than 15 working days following the end of each quarter.

Management Response:

Upon learning of this issue from the auditor, we immediately generated and submitted the required report to the local HUD office and are committed to submit the report quarterly from that point forward.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30,2010

Reference Number: 2010-2
Federal Program Title: Energy Efficiency and Conservation Block Grants (EECBG)
Federal Catalog Number: 81.128
Federal Award Number and Year: DE-SC0002707; 2009
Federal Agency: U.S. Department of Energy (DOE)
Category of Finding: Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .40, Performance Reporting

(b) ***Nonconstruction Performance Reports.***

- (1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annually reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency.

The award agreement terms and conditions require quarterly reports.

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(b) ***Financial Status Report –***

- (1) ***Form.*** Grantees will use Standard Form 260 or 269A (SF-260 or SF-269A), Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph Section .41(e)(2)(iii) of this section.
- (4) ***Due Date.*** When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

The award agreement terms and conditions require Standard Form 425 (SF-425) on a quarterly basis. The SF-425, ***Federal Financial Report***, replaces SF-269 and SF-269A.

Per OMB memorandum M-09-21, ***Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*** dated June 22,2009, Section 2.1, Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30,2009).

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

Condition:

During our testing of the reporting requirements set forth by OBM Circular A-133, we noted two quarterly performance reports, one Federal Financial Report, and three Section 1512 reports were submitted after their respective due dates.

Questioned Costs:

There are no questioned costs.

Context:

The City submitted three quarterly performance reports, four Federal Financial Reports, and four Section 1512 reports during the year ended June 30, 2010.

Effect:

Continued noncompliance could result in future EECBG grants being funding on a reimbursement basis or the City losing out on future EECBG grants.

Cause:

Per management, the City is short-staffed and was unable to complete the tasks on a timely basis.

Recommendation:

The City should strengthen procedures to ensure compliance with the reporting requirements over the EECBG program set forth by OMB Circular A-133, specifically procedures to submit quarterly performance reports and Federal Financial Reports no later than 30 days following the end of each quarter and Section 1512 reports no later than 10 days following the end of each quarter.

Management Response:

Timelines are noted and the City will comply in future reporting periods.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30,2010

None

CONTINUING DISCLOSURES

UNAUDITED

CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI AND THE LODI PUBLIC IMPROVEMENT CORPORATION Fiscal Year 2009-10

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility and the Lodi Public Improvement Corporation. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at www.lodi.gov.

ANNUAL REPORT FOR ELECTRIC UTILITY

The Lodi Electric Utility has Continuing Disclosure requirements associated with its 2008A Series A Certificates of Participation, 2002 Series C Certificates of Participation and 2002 Taxable Series D Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's power supply resources for the most recently completed fiscal year.
2. A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.
3. A table showing the outstanding debt of joint powers agencies in which Lodi participates and the City of Lodi share of that debt for the most recent fiscal year.
4. A table showing a summary of Operating Results for the past five fiscal years.
5. A table showing Lodi Electric Utility Department Rate Changes since November 1996 (applicable only to the 2002 Series C and D issues).

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2010, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's power supply resources.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES**

Source	Capacity Available (MW) ⁽²⁾⁽⁵⁾	Actual Energy (MWh)	% of Total Energy
Purchased Power ⁽¹⁾			
Western NCPA	4.7	11,019	2.11%
Geothermal Project	13.3	87,457	16.74
Hydroelectric Project	26.2	52,171	9.99
Combustion Turbine Project No. 1	9.4	43	0.01
Capital Facilities, Unit One	19.6	10,198	1.95
Contracts, Exchanges and Bilaterals ⁽⁴⁾	70.0	361,494	69.20
Total	<u>143.2</u>	<u>522,382^{(5) (6)}</u>	<u>100.00%</u>
Total Capacity and Energy Sold at Wholesale	N/A	70,502	
City System Requirement for Retail Load	143.2	451,880	

(1) Columns may not add to totals due to rounding.

(2) Non-coincident capacity available.

(3) Entitlements, firm allocations and contract amounts.

(4) Includes participation in NCPA/Seattle City Light exchange. See "OTHER NCPA PROJECTS—Power Purchase Contracts" in the forepart of this Official Statement.

(5) Units at Backbone Output.

(6) Includes supply from exchanges and line losses.

Table2 A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.

CITY OF LODI ELECTRIC UTILITY DEPARTMENT CUSTOMER SALES, REVENUE AND DEMAND					
	Fiscal Years Ended June 30,				
	2006	2007	2008	2009	2010
Number of Customers:					
Residential	22,870	22,928	22,523	22,465	21,981
Commercial	2,455	2,423	2,714	2,696	3,163
Industrial	32	33	32	37	31
Other	182	182	187	188	194
Total Customers	25,539	25,566	25,456	25,386	25,369
Kilowatt-Hour (kWh) Sales:					
Residential	159,540,557	159,247,195	153,563,188	153,487,430	150,811,587
Commercial	150,561,659	153,963,719	155,146,983	155,206,324	146,644,990
Industrial	141,462,582	133,816,956	129,429,938	131,059,764	125,000,860
Other	8,072,294	11,712,875	12,267,600	12,322,036	11,563,550
Total kWh sales	459,637,092	458,740,745	450,407,709	452,075,554	434,020,987
Revenues from Sale of Energy ⁽²⁾ :					
Residential	\$ 24,259,736	\$ 27,013,494	\$ 27,127,049	\$ 29,016,776	\$ 27,642,199
Commercial	21,365,903	23,241,809	25,173,286	26,883,557	24,901,256
Industrial	11,666,005	13,470,620	14,591,885	15,875,038	15,015,036
Other	1,820,944	2,071,324	2,132,120	2,224,567	2,105,196
Total Revenues from Sale of Energy:	\$ 59,112,588	\$ 65,797,247	\$ 69,024,340	\$ 73,999,938	\$ 69,663,688
Peak Demand (kW)	124.3	140.4	132.4	117.4	119.6

(1) Columns may not add to totals due to rounding.

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, audited annual financial statements and Customer Information System reports.

Table 3 A table showing the outstanding debt of joint powers agencies in which Lodi participates.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
(Dollar Amounts in Millions)**

	<u>(Outstanding Debt)</u>	<u>Lodi's Participation⁽¹⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Geothermal Project	\$ 88.0	10.28%	\$ 9.0
Geysers Transmission Project	1.7	18.48	0.3
Calaveras Hydroelectric Project	468.0	10.37 ⁽²⁾	48.5
Combustion Turbine Project No. 1	8.0	13.39 ⁽³⁾	1.1
Capital Facilities Project Unit One	63.0	39.50	24.9
Lodi Energy Center Project	255.0	9.50	24.2
TANC			
Bonds	431.0	1.89	8.1
Commercial Paper Notes		NIA	
TOTAL *	<u>\$ 1,314.7</u>	<u>8.83%</u>	<u>\$ 116.1</u>

* Columns may not add to totals due to independent rounding.

(1) Participation obligation is subject to increase upon default of another project participant.

Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

(2) Participant's project entitlement remains the same but share of debt has increased to 10.64% due to change in debt participation

(3) Reflects the transfer of 34 MW of Lodi's interest in the NCPA Combustion Turbine Project No. 1 to the City of Roseville.

Lodi remains contractually obligated under the related third phase agreement for its 34.78% entitlement share through August 31, 2010.

Source: City of Lodi.

Table 4 A table showing a summary of operating results for the past five fiscal years.

CITY OF LODI					
ELECTRIC SYSTEM					
SUMMARY OF OPERATING RESULTS ⁽¹⁾					
Ending Fiscal Year June 30 (Dollars in 000s)					
	Actual 2006 ⁽²⁾	Actual 2007 ⁽²⁾	Actual 2008	Actual 2009	Actual 2010
Operating Revenues					
Rate Revenue	\$ 59,113	\$ 65,809	65,110	\$ 65,229	\$ 62,613
ECA Revenue			4,174	8,771	7,050
Other Revenue ⁽³⁾	1,953	2,056	5,639	1,195	625
Total Operating Revenue	61,066	67,865	74,923	75,195	70,288
Operating Expenses					
Purchased Power	41,170	43,362	42,862	46,405	37,943
Non-Power Costs ⁽⁴⁾	9,961	9,622	11,575	11,965	12,006
Total Operating Expenses	51,131	52,984	54,437	58,370	49,949
Net Revenue Available for Debt Service	9,935	14,881	20,486	16,825	20,339
Parity Debt Service					
2002 C & D, 2008 A Bonds	3,613	6,327	6,266	9,960	7,194
Total Net Debt Service	3,613	6,327	6,266	9,960	7,194
Debt Service Coverage	2.75	2.35	3.27	1.69	2.83
Remaining Revenue Available for Other Purposes	6,322	8,554	14,220	6,865	13,145
Non-Operating Expenses					
In-Lieu Transfer to General Fund	(6,050)	(6,779)	(6,873)	(6,942)	(6,977)
Other Changes in Working Capital ⁽⁵⁾	(5,192)	(1,562)			
Net Cash Flow Before Capital Expenditures	(4,920)	21.3	7,347	(77)	6,168
Beginning Operating Reserve	7,342	3,632	5,470	14,513	13,854
Changes in GOR	1,210	1,625	1,696	(582)	5,877
Net Deposit/Withdrawal from Reserves	(4,920)	21.3	7,347	(77)	6,168
Ending Operating Reserve	\$ 3,632	\$ 5,470	\$ 14,513	\$ 13,854	\$ 25,899

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, which may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Certain amounts have been recast to reflect corrected coverage amounts.

(3) Other revenues for FY 08 include \$3.25 million for the sale of the City's rights to the NCPA Combustion Turbine #1 to Roseville.

(4) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

(5) Consists of non-cash accounting entries.

Table 5 A table showing Lodi Electric Utility Department Rate Changes since November 1996.

CITY OF LODI ELECTRIC UTILITY DEPARTMENT RATE CHANGES	
Effective Date	Percent Change
December 2007	Established Solar Initiative Surcharge of \$0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads
November 1996	Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2007 Series **A** Certificates of Participation and 2004 Series **A** Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. **A** table setting forth the City's number of connections by user type for the past five fiscal years.
2. **A** table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series **A** issue).
3. **A** table showing the largest users by service charge revenues for the most recent fiscal year.
4. **A** table showing a schedule of service charges.
5. **A** table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2007 Series **A** issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. **As** of June 30, 2010, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's number of connections by user type for the past five fiscal years.

<p style="text-align: center;">City of Lodi Wastewater System Number of Connections by User Type as of June 30 and Percentage of Fiscal Year 2009-10 Service Charge Revenue by User Type</p>						
User Type	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	% of FY 09/10 Service Charge Revenue
Residential	22,511	22,571	22,277	22,227	21,974	73.3%
Commercial/Industrial	1,603	1,562	1,847	1,815	1,768	26.7%
Total All Users	24,114	24,133	24,124	24,042	23,742	100.0%

Source: City of Lodi

Table 2 A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**City of Lodi
Wastewater System
Proportion of Service Charge Revenues by Class of User
Fiscal Year 2009-10**

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	59.2%
Multiple Family Residential	14.2%
Commercial/Industrial	26.6%
Total	100.0%

Source: City of Lodi

Table3 A table showing the largest users by service charge revenue for the most recent fiscal year.

<p style="text-align: center;">City of Lodi Wastewater System Largest Users by Service Charge Revenues Fiscal Year 2009-10</p>			
<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Cottage Bakery	Specialty bakery, frozen dough	\$ 335,825	3.06%
Lodi Unified School District	K-12, adult education	327,771	2.99
General Mills	Cereals, bread mixes, snack foods	306,918	2.80
City of Lodi	Government	55,310	0.50
Pacific Coast Producers	Private label fruit canning	40,479	0.37
Miller Packing Company	Hot dog producer	34,461	0.31
Lodi Memorial Hospital	Health Care	33,068	0.30
Blue shield of California	Health Insurance	30,188	0.28
Armourstruxx	Armor producer	23,809	0.22
Flame Mini Mart	Gas station, liquor store	22,040	0.20
		<u>\$ 1,209,869</u>	<u>11.03%</u>

Table 4 A table showing the schedule of service charges.

<p style="text-align: center;">City of Lodi Wastewater System Schedule of Wastewater Service Charges</p>				
	<u>Service Charge</u> <u>[effective July</u> <u>1, 2006]</u>	<u>Service Charge</u> <u>(effective July</u> <u>1, 2007</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2008)</u>	<u>Service</u> <u>Charge</u> <u>[effective July</u> <u>16, 2009]</u>
For Residential Users (per month):				
1 Bedroom.....	\$15.49	\$16.03	\$16.65	\$20.81
2 Bedrooms.....	20.65	21.37	22.19	27.74
3 Bedrooms.....	25.81	26.71	27.74	34.68
4 Bedrooms.....	30.98	32.06	33.29	41.61
5 Bedrooms.....	36.14	37.40	33.84	48.55
6 Bedrooms.....	41.30	42.74	44.38	55.48
7 Bedrooms.....	46.46	48.08	49.93	62.42
For Commercial/Industrial Users:				
Moderate Strength (annual pers Sewage Service Unit (SSU).....	\$247.80	\$256.33	\$266.28	\$332.88
High Strength:				
Flow (annual per MG).....	2,092.01	2,164.00	2,247.10	2,808.88
BOD (annual per 1,000 lbs.).....	345.24	357.12	370.83	463.54
SS (annual per 1,000 lbs.).....	215.86	223.29	231.86	289.83
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	182.80	189.09	196.35	245.44
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	388.06	401.41	416.82	521.03
Disposal to Storm Drain System (per MG).....	192.00	198.61	206.24	257.80
Disposal to Industrial System:				
Flow (per MG, annual basis).....		1,309.48	2,218.78	2,808.88
BOD (per 1,000 lbs., annual basis).....		22.82	20.34	463.54
Winery Waste (per 1,000 gallons).....	185.10	191.47	198.82	289.83

Table 5 A table showing historic operating results and debt service coverage for the past five fiscal years.

<p style="text-align: center;">City of Lodi Wastewater System Historical Operating Results and Debt Service Coverage Fiscal Years 2005- 06 through 2009-10</p>					
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Operating Revenues					
Charges for Services	\$8,206,016	\$8,523,530	\$9,091,220	\$9,276,217	\$1 1,513,389
Capacity/Connection Fees	720,588				
Non-Operating Revenues					
Interest Income	569,234	922,153	836,862	428,586	298,337
Rent	103,345	176,202	165,931	221,422	
Other	265,788	259,618	435,935	838,007	472,578
Total System Revenues	<u>9,864,971</u>	<u>9,881,503</u>	<u>10,529,948</u>	<u>10,764,232</u>	<u>12,284,304</u>
Operating Expenses					
Personnel services	2,163,754	2,289,035	2,996,028	2,984,049	2,800,891
Supplies, Materials and services	1,998,725	2,314,233	2,394,804	2,067,646	2,532,246
Utilities	723,387	683,669	798,652	869,129	847,167
Total Operating Expenses	<u>4,885,866</u>	<u>5,286,937</u>	<u>6,189,484</u>	<u>5,920,824</u>	<u>6,180,304</u>
System Net Revenues	<u>4,979,105</u>	<u>4,594,566</u>	<u>4,340,464</u>	<u>4,843,408</u>	<u>6,104,000</u>
Parity Debt Service					
1991 Installment Payments	799,516	800,755	311,127		
2003 Installment Payments	378,523	379,748	380,873	426,022	381,400
2004 Installment Payments	2,152,825	2,151,194	2,144,438	2,134,856	2,138,700
2007 Installment Payments			852,239	1,591,200	1,631,500
Total Parity Debt Service	<u>3,330,864</u>	<u>3,331,697</u>	<u>3,688,677</u>	<u>4,152,078</u>	<u>4,151,600</u>
Debt Service Coverage	1.49	1.38	1.18	1.17	1.47
Non-Operating Expenses					
Transfers (In)/Out	1,057,533	1,315,191	575,326	1,451,478	1,451,478
Total Non-Operating Expenses	1,057,533	1,315,191	575,326	1,451,478	1,451,478
Net Cashflow Before Capital Expenditures	<u>\$590,708</u>	<u>\$(52,322)</u>	<u>\$76,461</u>	<u>\$(760,148)</u>	<u>\$500,922</u>

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2009-10 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION

The Lodi Public Improvement Corporation has Continuing Disclosure requirements associated with its 2002 Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi.

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2010, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

***Table 1* A table setting forth the approved budget and actual results for the most recent fiscal year.**

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 75 of this Comprehensive Annual Financial Report.

Table 2 A table showing the comparative statements of revenue expenditures and changes in fund balance for the general fund for the past five fiscal years.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FIVE YEARS**

	2006	2007	2008	2009	2010
Revenues:					
Taxes	\$ 18,093,733	20,594,293	24,712,405	23,516,164	\$ 23,118,461
Licenses and permits	71,125	83,964	80,925	61,783	72,171
Intergovernmental revenues	15,620,997	16,091,446	10,642,600	8,967,410	7,772,071
Charges for services	1,823,583	1,854,575	2,510,207	1,055,137	1,343,199
Fines, forfeits and penalties	1,161,304	1,241,051	1,317,407	1,415,174	1,441,354
Investment and rental income	376,971	380,375	662,164	231,181	516,304
Miscellaneous revenue	319,815	210,495	630,413	446,404	462,592
Total revenues	<u>37,467,528</u>	<u>40,456,199</u>	<u>40,556,121</u>	<u>35,693,253</u>	<u>34,726,152</u>
Expenditures:					
Current:					
General government	8,344,970	8,893,677	9,545,370	6,922,096	6,411,741
Public protection	20,686,173	21,775,531	23,771,574	24,463,771	23,854,905
Public works	6,577,776	3,871,311	3,935,366	2,967,402	1,471,779
Library	1,468,178	1,587,714	1,672,910	1,499,720	1,322,052
Parks and recreation	3,434,361	3,597,718	3,826,450	2,160,035	2,234,349
Debt service:					
Interest and fiscal charges	56,026	41,464	29,724	18,516	12,578
Principal payments	282,393	273,823	249,624	129,487	135,425
Total expenditures	<u>40,849,877</u>	<u>40,041,238</u>	<u>43,031,018</u>	<u>38,161,027</u>	<u>35,442,829</u>
Deficiency of revenues under expenditures	<u>(3,382,349)</u>	<u>414,961</u>	<u>(2,474,897)</u>	<u>(2,467,774)</u>	<u>(716,677)</u>
Other financing sources (uses):					
Transfers in	6,892,824	4,937,314	4,040,166	5,367,983	5,867,983
Transfers out	(1,833,864)	(3,401,814)	(2,575,809)	(4,442,883)	(4,632,278)
Total other financing sources (uses)	<u>5,058,960</u>	<u>1,535,500</u>	<u>1,464,357</u>	<u>925,100</u>	<u>1,235,705</u>
Net change in fund balances	<u>1,676,611</u>	<u>1,950,461</u>	<u>(1,010,540)</u>	<u>(1,542,674)</u>	<u>519,028</u>
Fund balances, beginning of year	<u>2,692,330</u>	<u>4,368,941</u>	<u>6,319,402</u>	<u>5,308,862</u>	<u>3,766,188</u>
Fund balances, end of year	<u>\$ 4,368,941</u>	<u>6,319,402</u>	<u>5,308,862</u>	<u>3,766,188</u>	<u>\$ 4,285,216</u>

Table 3 A table showing the assessed valuations for the last five fiscal years.

Please refer to the table shown in the Statistical Section on page 112.

Table 4 A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown in the Statistical Section on page 115.

Table 5 A table showing the ten largest locally secured taxpayers for the last fiscal year.

Please refer to the table shown in the Statistical Section on page 114.

CITY OF LODI, CALIFORNIA

Report to City Council

For the Year Ended June 30, 2010

CITY OF LODI, CALIFORNIA
Report to City Council
For the Year Ended June 30,2010

Table of Contents

	<i>Page(s)</i>
Transmittal Letter	1
Required Communications	2-3
Status of Prior Year Recommendations	4-9



Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles • Century City • Newport Beach • San Diego

mgocpa.com

City Council
City of Lodi, California

We have audited the financial statements of the City of Lodi, California (City) for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. Professional standards require that we provide you with information related to our audit. That information is included in the Required Communications section of this report.

Also, in planning and performing our audit of the financial statements of the City for the year ended June 30, 2010 we considered the City's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide assurance on internal control over financial reporting.

We followed up on those matters we became aware of during the previous years' audits. Those matters are included in the Status of Prior Year Recommendations section of this report. This report does not affect our report dated December 7, 2010, on the basic financial statements of the City.

This letter is intended solely for the information and use of City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

Maciar Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2010

CITY OF LODI, CALIFORNIA
Report to City Council
Required Communications
For the Year Ended June 30,2010

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30,2010. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- The self-insurance liability is based on the development of amounts from various consultants' actuarial studies.
- The pollution remediation obligation is based upon estimated cash flows determined by an engineering consultant's remedial action plan.
- The actuarial pension data contained in Note 10 to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 50 and GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.
- The actuarial data for other postemployment benefits contained in Note 11 to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

CITY OF LODI, CALIFORNIA
Report to City Council
Required Communications (Continued)
For the Year Ended June 30,2010

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations
For the Year Ended June 30,2010

The following is a summary of the status of prior years' recommendations.

FROM YEAR ENDED JUNE 30,2007 -

INTERNAL SERVICE FUNDS

Condition

Internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefiting funds in the form of fees and charges. During our audit of the City's financial statements for the period ending June 30,2007, we noted that the internal service fund does not appear to be recovering the full cost of providing medical insurance benefits to other funds and/or user departments.

We examined, on a test basis, monthly CalPERS invoice billings of health insurance premiums for active participants enrolled in the health care plans offered by CalPERS, the cost of which were expensed in the internal service fund, however, the revenue reported by the internal service funds were consistently less than the related costs of the medical benefits provided. Absent a reconciliation of the enrolled participants in the CalPERS health care plans and the City's internal payroll and Human Resources system, the costs related to the CalPERS invoice billings of health insurance premiums could be permanently stranded in the internal service fund, and therefore, the user departments not being charged their proportionate share of the costs.

Recommendation

We encourage management and/or authorized employees to perform a monthly reconciliation of the enrolled participants in the health care plans as reported by CalPERS in the monthly health insurance invoice roster detail with the City's internal payroll system and HR records to ensure accuracy and completeness of the roster. This strengthens control and ensures that the costs are properly and timely allocated according to the user department or fund and that City is only being charged for current employees at authorized rates.

Current Year Status

The City performed an annual reconciliation of fiscal year 2009-10 CalPERS health plan charges and posted the necessary corrections to the appropriate funds. In addition, the City has developed procedures and is now performing reconciliations and corrections on a monthly basis. Therefore, we consider our recommendation implemented.

FROM YEAR ENDED JUNE 30,2005 -

INFORMATION TECHNOLOGY (IT)

Accounting System Development and Maintenance

Condition

While most procedures for the accounting system development and maintenance are in place, they are not formally documented. Having the policies, procedures and standards formally documented should address any ambiguity in implementation and reliance upon only a few key individuals.

Program changes are not always initiated, tested and approved by the functional users before being applied to the production system.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30,2010

The **IS** Division Programmer is not restricted from making changes in the production environment and is also responsible for transporting changes and updates from the test environment to the production system.

Recommendation

Official policies, procedures and standards for the accounting system development and maintenance should be documented and maintained. These policies, procedures and standards should ensure that:

- o All new programs and changes are initiated and approved by the appropriate user management.
- o The impact of new programs and updates are assessed in a test environment before implementation in the production system.
- o Programmers do not have update access to the production system, except for emergency fixes.
- o Any emergency fix in the production system is properly logged.
- o Program testing is reviewed and approved by someone other than the programmer.
- o The process of moving programs into the production system is formal, well documented, and performed by someone independent from programming.

Current Year Status

The IS Division has drafted a formal change control and patch management policy that incorporates procedures and standards **as** recommended. Therefore, our recommendation is in the process of implementation.

Current Year Management Response

The policy is due to be adopted at the December 15, 2010 City Council meeting.

Packaged Accounting Software and Systems Software – Selection Method

Condition

There is not currently a documented system and application software selection method outlined for the City.

Recommendation

The City should document their system and application software selection processes and ensure that the following areas are addressed:

- o Business needs,
- o Technical requirements,
- o Analysis/comparison of several products
- o Implementation issues, including conversion, and
- o Cost/benefit analysis

The City should pursue the needs assessment for the new financial and billing system as noted below, but the procedures for system and application acquisition should be documented.

Current Year Status

The IS Division has drafted a formal software selection and acquisition policy that incorporates procedures and standards **as** recommended. Therefore, our recommendation is in the process of implementation.

Current Year Management Resuonse

The policy is due to be adopted at the December 15,2010 City Council meeting.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30,2010

Packaged Accounting Software and Systems Software – Test Environment

Condition

The IS Division has implemented a test environment for application software, but not for system software. Update and patches are being applied directly to the production system.

Recommendation

Procedures to test updates to system software should be implemented, either on a separate machine or as a partition with the current AS400, to ensure that updates and upgrades are not applied directly to the production system without proper testing beforehand.

Current Year Status

The IS Division has drafted a formal change control and patch management policy that incorporates procedures and standards as recommended. Therefore, our recommendation is in the process of implementation.

Current Year Management Response

The policy is due to be adopted at the December 15,2010 City Council meeting.

Computer Operations – Computer Room

Condition

The City has moved the computer room which now has a separate dedicated air conditioning system, Uninterrupted Power Supply (UPS) and generator. The room is secured with standard lock and key controlled by the **IS** Division staff and facilities maintenance. An intrusion alarm system and temperature and water alarms have been installed and are monitored by a local security company. The room is equipped with a sprinkler system for fire suppression.

Recommendation

The IS Division should consider replacing the water sprinkler system with a dry fire suppression system. If local building ordinance requires the use of a water based system, the City should consider a dual system with a pre-action type sprinkler.

Current Year Status

The City remains at risk of loss of financial data and information technology assets due to water-based fire suppression system in the computer room. The City has considered replacing the water sprinkler system with a dry fire suppression system and determined that the risk to the IT equipment is acceptable given the cost of re-fitting the computer room, therefore we consider our recommendation implemented.

Computer Operations – Disaster Preparedness/Business Continuity Plans

Condition

The City currently has no disaster preparedness or business continuity plans in place.

Recommendation

The City should work to develop a comprehensive disaster preparedness and business continuity plan. The plan, upon completion, should be thoroughly tested and provisions made for periodic reviews of the plan.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30,2010

Current Year Status

The City performs its own disaster recovery by doing two nightly backups on tapes and one weekly full backup. One copy of the nightly backup is stored in the **IS** Division and another copy in the Public Safety Building. Although best practices recommend that the backup tapes be stored at least 20 miles from the primary data center, the City has no plans to change the secondary storage site. This puts the City at increased risk of losing financial information as the backup tapes are subject to many of the same environmental risks as the primary data center, such as floods, large fires or earthquakes. The City has developed a disaster preparedness plan, however the plan has not been fully tested. Therefore, our recommendation is in the process of implementation.

Current Year Management Response

Management agrees. The City has received grant money to update certain hardware and software that will allow high level of system and data redundancy and to fully test the plan by December 31, 2010.

Computer Operations – Service Level Agreements

Condition

Service level agreements between the **IS** Division and the user departments are not in place. Help-desk services are provided, but without documented policies and agreements, an acceptable level of service cannot be properly defined.

Recommendation

Service level agreements between the user departments and the **IS** Division should be instituted to define the level of service to be expected.

Current Year Status

Service level agreements are in place for all departments, therefore we consider our recommendation implemented.

Computer Operations – Unauthorized Use of Software

Condition

There are no procedures in place to ensure that there is no unauthorized use of software within the City.

Recommendation

The **IS** Division should institute official procedures for the review of software installed on computers at least yearly. The City should make efforts to protect itself from the liability of employees using unauthorized software. An alternative to the physical review of installed software is to require administrator privileges on network computers in order to install any software.

Current Year Status

The City has elected the alternative of requiring administrator privileges on network computers in order to install any software, and has successfully restricted the local administrative rights on all City computers. Therefore, we consider our recommendation implemented.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30,2010

Other Matters

Since 2005, the City has been in various stages of addressing our prior recommendations. Efforts to implement several have been hampered by budgetary constraints and other higher priority undertakings. Overall, of the seven IT findings and recommendations from our 2005 review that remained last year, three have been implemented and the remaining four are in the process of being implemented. The recommendations in the process of implementation are expected to be completed before the end of fiscal year 2010-2011.

FROM YEAR ENDED JUNE 30,2004 -

CAPITAL ASSETS

Condition

During our audit of the City's financial statements for the year ended June 30, 2004, we noted that the acquisition and construction of capital assets is maintained on a spreadsheet, outside of the City's accounting system, which can lead to inaccurate recording and depreciation of capital assets.

Recommendation

We recommend that the City place into operation the JDE fixed asset module that records the City's capital assets and automatically calculates depreciation. The system would support the City's depreciation method and automatically post accumulated depreciation expense to the General Ledger module for a specified accounting period.

The system provides methods to track assets, their beginning cost, current value, and method of depreciation. Some of the advantages include:

1. Flexible Asset Numbering System – an unlimited number of assets can be maintained. The assets can be grouped by many types of categories for reporting purposes.
2. User Defined Asset Control - Accumulated depreciation, depreciation expense and asset master accounts can be user specified for each asset.
3. Reports - variety of reports can be produced including a listing of all assets by type, category and description, method of depreciation, and all other information maintained in the master file. The module could be programmed to also print reports listing assets with original cost and current book value plus calculated depreciation for a specified period.

To reduce operating overhead, the City should consider hiring temporary staff for data entry into the capital assets module.

Current Year Status

Condition unchanged. Prior recommendation remains.

Current Year Management Response

Finance is currently in the initial stage of assessing the magnitude of this project and coordinating with Information Systems Division to evaluate and establish a project plan. As of fiscal year 2009-10, the City does not have the resources to do so.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30,2010

FEDERAL TRANSIT ADMINISTRATION INDIRECT COSTS

Condition

We noted, during our review of the fiscal year 2003/2004 Federal Transit Administration (FTA) apportionment that management had originally decided to use the apportionment to cover indirect costs. Per our review of FTA guidelines, grantees who intend to seek FTA reimbursement for indirect costs must prepare a cost allocation plan that has been approved by the FTA or another cognizant Federal agency. Further inquiry determined that the cost allocation plan has not been approved in the prescribed manner.

Recommendation

We recommend that the City perform a review of all grants and make the determination if indirect costs can be applied against grant funds.

Current Year Status

The City engaged a consultant for a five-year period to perform an **A-87** compliant cost allocation plan and indirect cost rate services and secure cognizant agency approval, therefore our recommendation is in the process of implementation.

Current Year Management Response

A final report for the initial year of services is expected by January 2011.

CITY OF LODI

Agreed-Upon Procedures Report for
Gann Appropriations Limit

For the Fiscal Year Ending June 30,2010



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

City Council
Lodi, California

SACRAMENTO
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the City of Lodi, California (City) for the fiscal year ending June 30, 2010. These procedures, which were agreed to by the City of Lodi, California and the League of California Cities (as presented in the publication entitled *Article XIII-B Appropriations Limitation Uniform Guidelines*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish the City's appropriations limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet, we added last year's appropriations limit to the annual adjustment amount, and compared the resulting amount to this year's appropriations limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet to the worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the City Council.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Maclean Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California

May 25, 2010

**CITY OF LODI
APPROPRIATIONS LIMIT WORKSHEET
FOR THE FISCAL YEAR ENDING JUNE 30,2010**

Appropriation Limit, fiscal year ended June 30,2009, as adopted	<u>\$76,227,535</u>
Adjustment factors:	
Population factor, for fiscal year ending June 30,2010, as adopted	1.0042
Inflation factor, for fiscal year ending June 30, 2010, as adopted	<u>1.0062</u>
Annual percentage increase	<u>1.0104%</u>
Annual adjustment	<u>794,751</u>
Appropriation limit, fiscal year ending June 30,2010, as adopted	<u>\$77,022,286</u>

2009/10 Comprehensive Annual Financial Report

City Council
December 15, 2010

Auditor's Opinion

- ❑ City engaged an independent auditor through a competitive process
- ❑ Macias, Gini, O'Connell, LLP has given the City a 'clean' opinion for the year
 - Reviewed financial records and found them to be in compliance with all rules and regulations in all material respects
 - Financial statements fairly present the balances and operations of the City

Status of City's Financial Position

Highlights of Financial Records

□ General Fund

- Unreserved Fund Balance of \$3,896,576
 - About \$65,000 higher than projected for budget purposes
 - 9.6% of General fund revenues
 - Sufficient to fund Catastrophic Reserve (8%)
 - Partially funds Economic Reserve

Status of City's Financial Position

Highlights of Financial Records

☐ General Fund (cont.)

■ Budget to Actual Variances

- ☐ Property taxes down about \$143,000
- ☐ Sales taxes down about \$600,000
- ☐ Card room fees up about \$165,000
- ☐ One Time Conservation Easement generated \$504,000
- ☐ Expenditure savings of about \$375,000
 - Vacancies
 - Prudent management

Single Audit

- ☐ 'Clean' opinion
- ☐ No questioned costs
- ☐ Findings related to reporting requirements
 - Certain reports not filed timely
 - City will comply in future

Management Letter

- ☐ Review of City's Internal controls
 - No new findings this year
- ☐ 10 prior year findings
 - 7 closed with adoption of IT policies and other City actions
 - ☐ IT disaster preparedness plan needs to be fully tested
 - ☐ Fixed asset module recommendation will not be implemented as staffing is not available
 - ☐ Indirect rates calculation in progress by consultant